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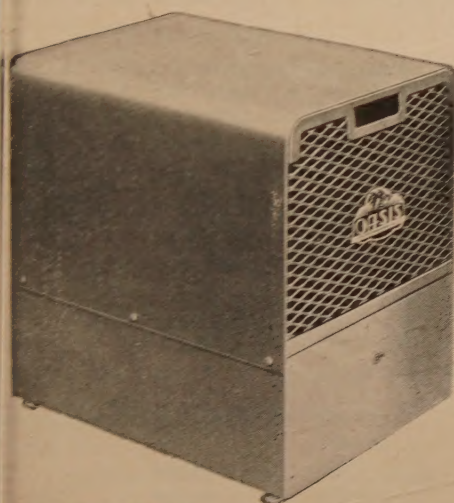
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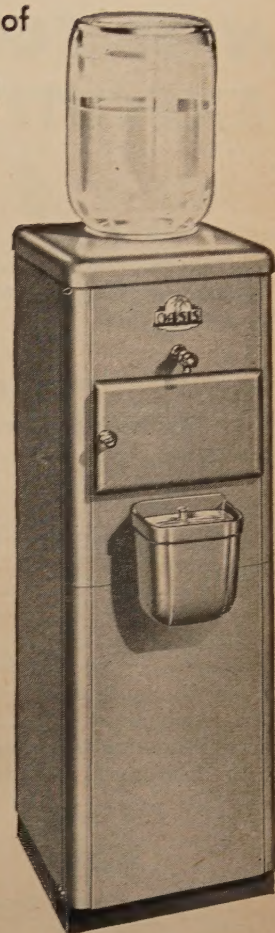
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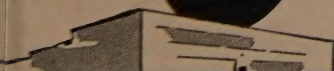
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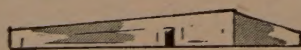
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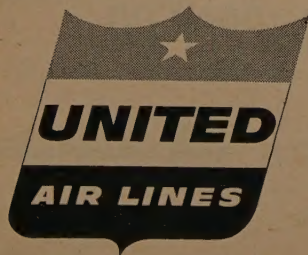


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statistics of...

Chicago Business

	April, 1953	March, 1953	April, 1952
Building permits	996	883	861
Cost	\$ 24,074,700	\$ 14,144,100	\$ 17,784,100
Contracts awarded on building projects, Cook Co.	2,381	2,434	1,748
Cost	\$ 73,123,000	\$ 52,178,000	\$ 51,816,000
(F. W. Dodge Corp.)			
Real estate transfers	7,118	6,931	6,679
Consideration	\$ 4,740,501	\$ 5,066,580	\$ 5,299,516
Department store sales index	99.1	94.7	93.0
(Federal Reserve Board)			
(Daily average 1947-49 = 100)			
Bank clearings	\$ 4,113,771,495	\$ 4,283,134,992	\$ 3,674,856,715
Bank debits to individual accounts:			
7th Federal Reserve District	\$22,834,000,000	\$24,966,000,000	\$20,052,000,000
Chicago only	\$11,567,449,000	\$13,165,564,000	\$10,274,369,000
(Federal Reserve Board)			
Midwest Stock Exchange transactions:			
Number of shares traded	1,419,194	1,577,776	1,143,245
Market value of shares traded	\$ 44,486,140	\$ 47,570,661	\$ 36,195,045
Railway express shipments, Chicago area	1,066,400	1,136,302	1,037,074
Air express shipments, Chicago area	63,126	65,355	57,036
L.C.L. merchandise cars	19,739	19,585	19,421
Electric power production, kwh	1,333,755,000	1,396,387,000	1,190,202,000
Industrial gas sales, therms	15,451,621	16,155,583	11,606,355
Revenue passengers carried by Chicago Transit Authority lines:			
Surface division	43,101,693	44,363,896	45,647,186
Rapid transit division	11,844,041	12,162,227	13,123,466
Boulevard system	6,287,591	6,381,475	7,137,074
Postal receipts	\$ 11,367,010	\$ 11,630,993	\$ 10,582,218
Air passengers			
Arrivals	277,369	243,046	220,349
Departures	280,627	250,236	224,715
Consumers' Price Index (1935-39=100)	114.2	113.8	113.4
Receipts of salable livestock	414,884	437,102	422,129
Families on relief rolls:			
Cook County	17,335	17,618	20,419
Other Illinois counties	12,431	12,956	13,698

July, 1953, Tax Calendar

Date Due	Tax	Returnable to
1	Renew city licenses which expired June 30, 1953	City Collector
1	Illinois Domestic and Foreign Corporation Franchise Tax due for year July 1, 1953 to June 30, 1954	Secretary of State
15	If total O.A.B. taxes (employer and employee) plus income tax withheld in previous month exceeds \$100, pay amount to or remittance may be made at end of month with quarterly return directly to	Authorized Depository Director of Internal Revenue
15	Illinois Retailers' Occupation Tax return and payment for month of June	Director of Revenue (Illinois)
15	Quarterly payment of estates tax	Director of Internal Revenue
31	Third quarterly installment on 1952 Federal Unemployment Compensation Tax	Director of Internal Revenue
31	Illinois Unemployment Compensation contribution and wage report, and payment for second quarter of 1953 (UC-3 and UC-40)	Director, Department of Labor
31	Federal Excise Tax return and payment due for June, 1953	Director of Internal Revenue
31	Quarterly return and payment (by depository receipts or cash) of income and O.A.B. taxes withheld by employers for second quarter of 1953 (Form 941). Domestic Help (Form 942)	Director of Internal Revenue

COMMERCE

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in this

issue...

One of the most controversial subjects today among businessmen and bankers is whether consumer credit is too high. Arno Johnson, vice president and research director of J. Walter Thompson Company, probes this subject exhaustively in an article beginning on page 13. His conclusion, generously supported with statistical data: consumer credit is not too high; in fact, it could safely increase much more.

• • •

Washington correspondent Jack Robins reviews the progress made by the Eisenhower Administration since it took office in "Ike's Economic Policies," page 15. He finds that very definite progress is being made although a lack of spectacular developments probably has tended to obscure this fact.

• • •

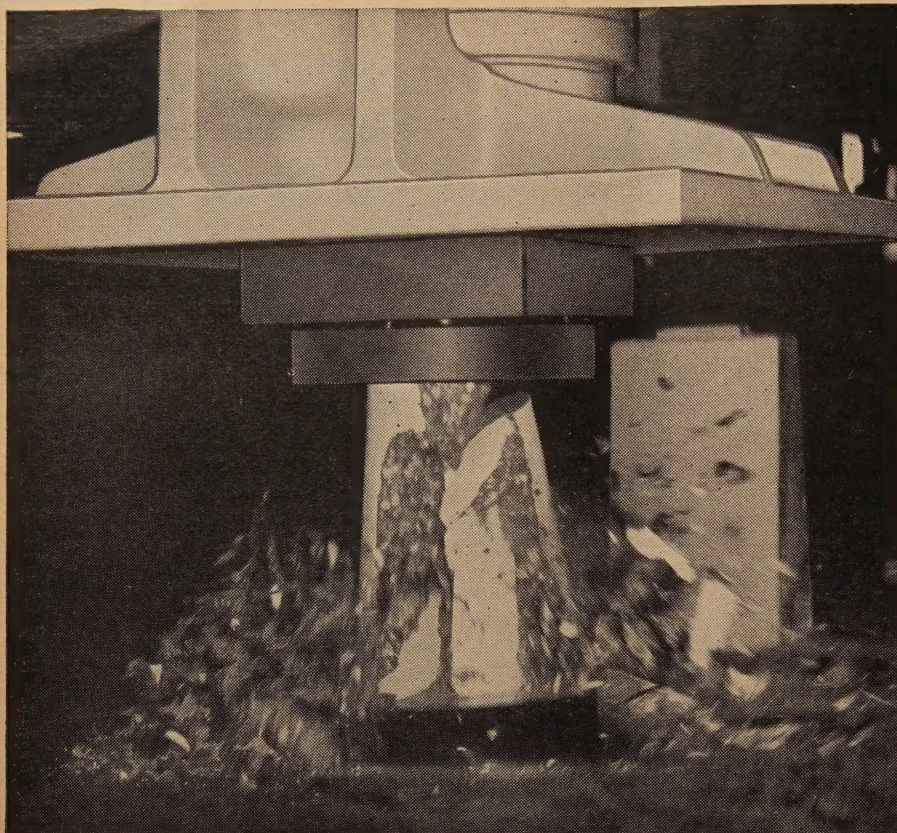
Is top management restless and on the move? The management engineering firm of Booz, Allen and Hamilton made a study of this question. It was found that management very definitely is making more job changes than in the five years preceding World War II. Edward J. Burnell, a partner in Booz, Allen and Hamilton, reports the findings of this study, including the reasons executives are on the move and what might be done to slow the rate of turnover on page 16.

• • •

Next December the aviation industry will celebrate the fiftieth anniversary of man's first flight made by the Wright brothers at Kitty Hawk. In connection with the industry's observance of this event, Mundy I. Peale, president of Republic Aviation Corporation and chairman of the board of governors of the Aircraft Industries Association, reviewed the past and peered into the future at the national aeronautics dinner of the Society of Automotive Engineers. In the condensation of this address, page 18, he highlights American and Soviet aviation and atomic capabilities.

• • •

U. S. Taxes Sire Own Point IV Action, page 21, reports on the as yet small but significant movement of industry to underdeveloped countries which are offering special tax and other inducements.



DESTRUCTION WITH A PURPOSE

Concrete fragments are flying through the air with explosive force in the above picture. It was taken at the split second a 2-foot concrete cylinder 12 inches in diameter "exploded" under a compressive force of 873,000 pounds. This load, equal to the weight of several large locomotives, is being applied by the 1,000,000-pound testing machine in the Portland Cement Association's laboratories near Chicago.

This is only one of many strength tests to determine how concrete resists the crushing, pulling, bending and racking forces to which it is subjected in actual construction. Such tests provide valuable data for architects and engineers who design and build the homes, highways, hospitals, factories, bridges, airports and

public works essential to our general economy and the national defense program.

Research like this, interpreted and made available to engineers and architects by the Association's large staff of technical specialists and field engineers, results in more and more durable concrete at lower and lower annual cost under all conditions of weather and service. All such work is made possible by the financial support of PCA member companies listed at the right. They produce a large proportion of the portland cement used in the U. S. and Canada. For a description of PCA's new laboratories and its manifold activities send for a free copy of the booklet, "Dedicated to Progress." Distributed only in United States and Canada.

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The Editor's Page

Security And Economy

The protests coming from some members of Congress against the Eisenhower Administration's proposal to cut billions from appropriations for the Air Force bring out the essence of the whole problem of deficits, preparedness, and taxes.

No nation can live indefinitely on a wartime basis without wrecking its economy. Eventually its money becomes worthless, and the governmental system itself may be threatened. Mr. Eisenhower's choice is between this certainty and the possibility that Russia will launch the third world war. He's in somewhat the same position as the individual who must decide whether or not to deprive his children of necessities or advantages in order to buy insurance that will protect them if the breadwinner dies. A compromise is required.

Mr. Eisenhower is the court of last resort in the allocation of government spending, and he is at least as well qualified as anyone in the United States to determine where and how far to go in cutting down military spending. In fact, a man who has spent his adult life in military service is likely to err in being too generous in spending for preparedness.

Every cut in civilian or military spending brings prompt and convincing arguments that valuable and even essential services and protections are being killed. There may be truth in some of these arguments, and millions will have reason to feel that they have been deprived of some good thing. This goes for many businessmen who have had the benefit of one kind or another of government service, on which they have learned to depend. But every government service involves costs that must be paid by someone, that someone is the taxpayer, who is long overdue for some relief.

No Stock Exchange in Moscow

Some time ago, G. Keith Funston, president of the New York Stock Exchange, pointed out one fundamental difference between freedom and communism when he said: "There's no Stock Exchange in Moscow!"

The Labor Union, a newspaper owned by member organizations of The American Federation of Labor, used the phrase as a title for a feature editorial. It quoted statements by Mr. Funston urging widespread stock ownership as a means of giving our people a direct and tangible stake in our system of doing things. Then the paper said: "... your right and privilege to become an owner of American business, if you so choose, is one of those precious rights you enjoy and take for granted. And it's a right that you certainly wouldn't have if this country were controlled by Communists.

"And, even if you don't own stocks and never intend

to, you must never forget that you still have a tremendous stake in the American free enterprise system.

"Because, if you work for a living, somebody invested the money that started the business going. The chances are there are stockholders who have put up the money, provided the plant and the tools that make your job possible.

"It's the way the American system works. And it's the most successful economic system ever known on earth."

This kind of straight thinking and talking does the labor press proud.

Where Is The Bill of Particulars?

Since the Eisenhower administration was elected last fall, the statement that "business is on trial" has been repeated so often that it is beginning to have the attributes of a slogan. Like any oversimplification, the idea is catchy, of course. The reasoning seems to be that for 20 years the federal government was in the hands of anti-business interests. Therefore government was responsible for all good and all evil—if any. Conversely, now that an administration assumed to be friendly to business and which has appointed many top business leaders to high positions is in office, everything that happens will be credited to or charged against business.

This reasoning assumes that business exercises sole control over the economy. It overlooks the fact that organized labor may or may not follow wise economic policies. It ignores the fact that government debt and taxes and the consequent inflation which have accrued in the last 20 years are probably the most potent domestic economic force existing today. The overwhelming importance of international developments is similarly glossed over.

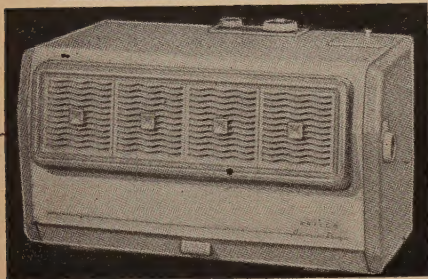
Despite such facts, it seems to be assumed that if the economy does not continue operating at a breakneck pace, providing employment for anyone who wants income whether or not he wants to work, it will be the fault of business.

The fact is that the decisions of our allies and our enemies, of government, labor, farmers, business executives, bankers and consumers all are vital in determining whether conditions remain prosperous or not. No one segment in a free society is, or can be, solely responsible.

What's more, not even government can guarantee a perpetual state of full employment in a free economy. That is only possible in a dictator socialist state where employment is actually slavery.

Alan Study

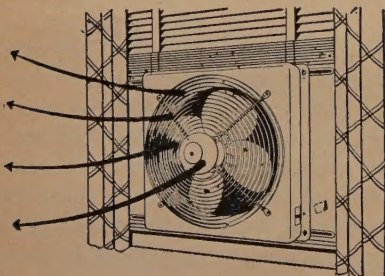
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Here...There... and Everywhere

• **Buyer Training Course** — A college curriculum for the professional education of purchasing executives will be initiated next September at the Illinois Institute of Technology in Chicago. The four-year program was developed with the sponsorship and the active research and recommendations of the Purchasing Agents Association of Chicago. The Association has established two four-year scholarships for students interested in the new curriculum, which will include specialized training in purchasing and related management subjects.

• **Plastic for Bronze** — The first phase of a test to determine whether a rubber based plastic, Kralastic, can replace bronze in water meter register boxes and covers, has been met successfully by the plastic. The manufacturer, United States Rubber Company, reports that 5,000 meters equipped with Kralastic parts have been installed in every section of the country, without a single failure, in the last three months. A year will be required to determine how the plastic will stand up under corrosive conditions.

• **Faster Readers** — The Foundation for Better Reading reports that it has now trained more than 2,000 executives of 100 Chicago industrial firms to read faster and better. These executives showed an average increase of 119 per cent in reading speed and 10 per cent in comprehension. The latest firm to sign up is Hotpoint, Inc.

• **Egg Cushioner** — The world's largest collection of rare eggs, ranging from a 3/16 inch hummingbird egg to a 4 1/2 inch ostrich egg, was moved 230 miles by truck to Clemson College recently, with nary a crack. This advice comes from the Zonolite Company, producer of the insulating material "vermiculite."

This lightweight material was used to protect the egg trays from road shocks.

• **Ex-Auto Center** — The competitiveness of the automobile industry is a by-word, yet it is almost unbelievable that one city, Indianapolis, produced nearly 40 different makes of automobiles during the first third of the century, including such famous cars as the Marmon, Stutz, Premier, Cole, and the Duesenberg. The last survivor, according to Automobile Facts, published by the Automobile Manufacturers Association, was the Stutz, and it went the way of the others late in 1934.

• **Pension Costs Uncertain** — You can't figure the costs of a company pension plan accurately in advance, according to a new Commerce Clearing House book, "A Survey of Pension Planning," by Robert E. Sibson, labor consultant. Among the uncertain factors are changing wage levels, the variation in interest earned, differences in benefits paid from year to year, and the fact that statistical averages are a reliable guide only if the circumstances are identical, which they seldom are. Standard annuity tables will be found reliable only by the very large companies, the study warns.

• **Some Dividends Cut** — Prosperity is never a uniformly distributed benefit, even among corporations. For example, The Exchange, monthly magazine of the New York Stock Exchange, reports that of the 1,067 individual common stocks listed on the exchange at the end of the first quarter of 1953, dividends were paid during that period by 831, or 78 per cent. The amount of the cash dividend paid was the same as in the first quarter of 1952 for 616 stocks, higher for 128, and lower for 118. Thirty-

(Continued on page 34)

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Trends . . . in Finance and Business



• **Automatic Elevators** — Operatorless elevators have long been used in Chicago, in apartment buildings, hospitals, and smaller commercial buildings, but now a big office building is to have completely automatic elevators. The 17-story Railway Exchange Building is replacing old hydraulic elevators with Otis "Auto-tronic" cars—four local, six express, and one service elevator. The Chicago Federal Savings Building, Washington and State streets, currently undergoing extensive remodeling, will also install automatic elevators—three for tenant traffic to and from the upper floors, and two to serve the Chicago Federal Savings and Loan Association and a large retail store.

• **More Research** — Some chemical companies didn't fare as well, earningswise, in 1952 as in 1951, but they continued to spend liberally on research, the source of great progress and handsome profits in the past. A survey of 48 companies by the Chemical Fund, Inc., disclosed research expenditures of about \$300,000,000, or an average of approximately 2.6 per cent of total 1952 sales.

• **Lilliput Laboratory** — The advance in high precision scientific equipment has made possible the advantageous use of minute quantities and quicker processes in research. The new microanalytical laboratory at General Mills Research Laboratory works with tiny quantities of material and often studies them with miniature scientific instruments. The equipment includes a microchemical balance so sensitive that it records the weight of a fingerprint or speck of dust. Some of the instruments must be adjusted to the temperature change resulting from

the presence of the person using them. A major advantage of the microanalytical laboratory is the fact that it can make a thorough analysis of a material even though only extremely small samples are available.

• **The Rich Get Poorer** — It won't be news to the people in the top income brackets, but Dr. Simon Kuznets of the research staff of the National Bureau of Economic Research has found that the share of total income going to those at the upper income levels in the United States has declined "strikingly and persistently since 1939," and that for size and persistence, the recent decline in upper group shares of total income "is unmatched in the record."

Dr. Kuznets' study shows that the share going to the top one per cent of the total population with the highest income, before federal income taxes, dropped from 12 per cent in 1939-40 to 8½ per cent in 1947-48.

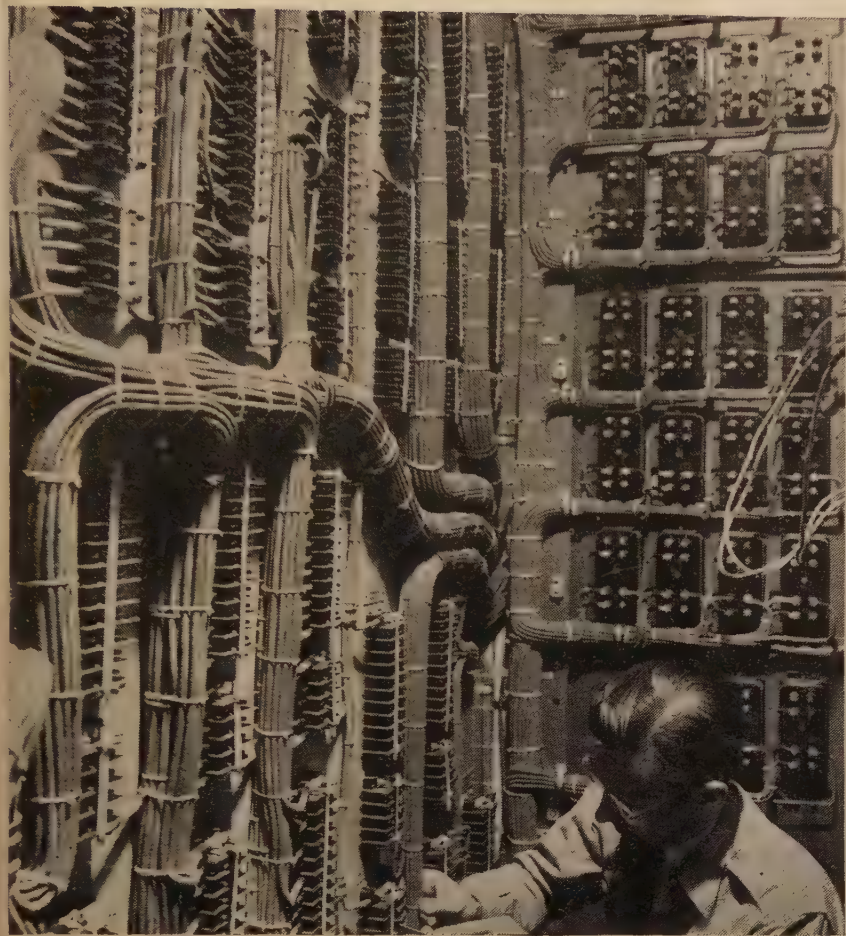
After federal income taxes, the share going to the top one per cent of the population was 6.3 per cent in 1948 against 10.9 per cent in 1939, while the share going to the top five per cent, on the same basis, was 15.1 per cent against 22.7 in the earlier year. For the lower 93 per cent the income share rose from 72.6 to 81.7 per cent.

The federal income tax did not initiate the shift in income distribution, but it has greatly accelerated it, Dr. Kuznets reports. There is some evidence that there was a long-term tendency for upper income group shares to decline, and the federal income tax is only one of several causes contributing to the sharp shift after 1939, he states.

These findings are part of the re-

(Continued on page 29)

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Power for the People. No doubt about it, America is lucky to have such a generous supply of electric power . . . for electricity contributes enormously to the health, comfort and convenience of all of us. U. S. Steel helps to provide electricity for better living by manufacturing products like U-S-S Amerbestos Wire, here being used in the generating station switchboard of one of the nation's largest electric utility companies.



Inside Information. The growing popularity of steel windows . . . and especially of the picture-window type like this . . . is explained by the ladies very simply: they say they like the way these windows bring the view indoors; they like their weather-tightness, their slender lines; and they like their ease of cleaning from *inside* the house. Only steel can do so many jobs so well.

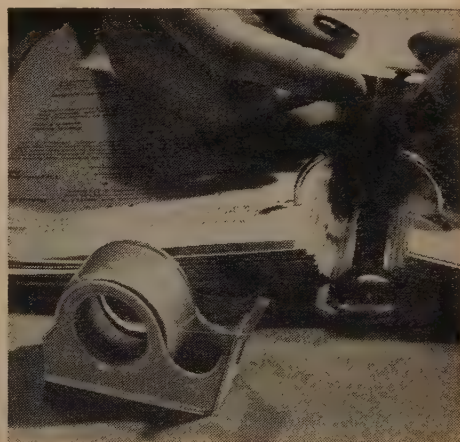


This trade-mark is your guide to quality steel

UNITED STATES STEEL

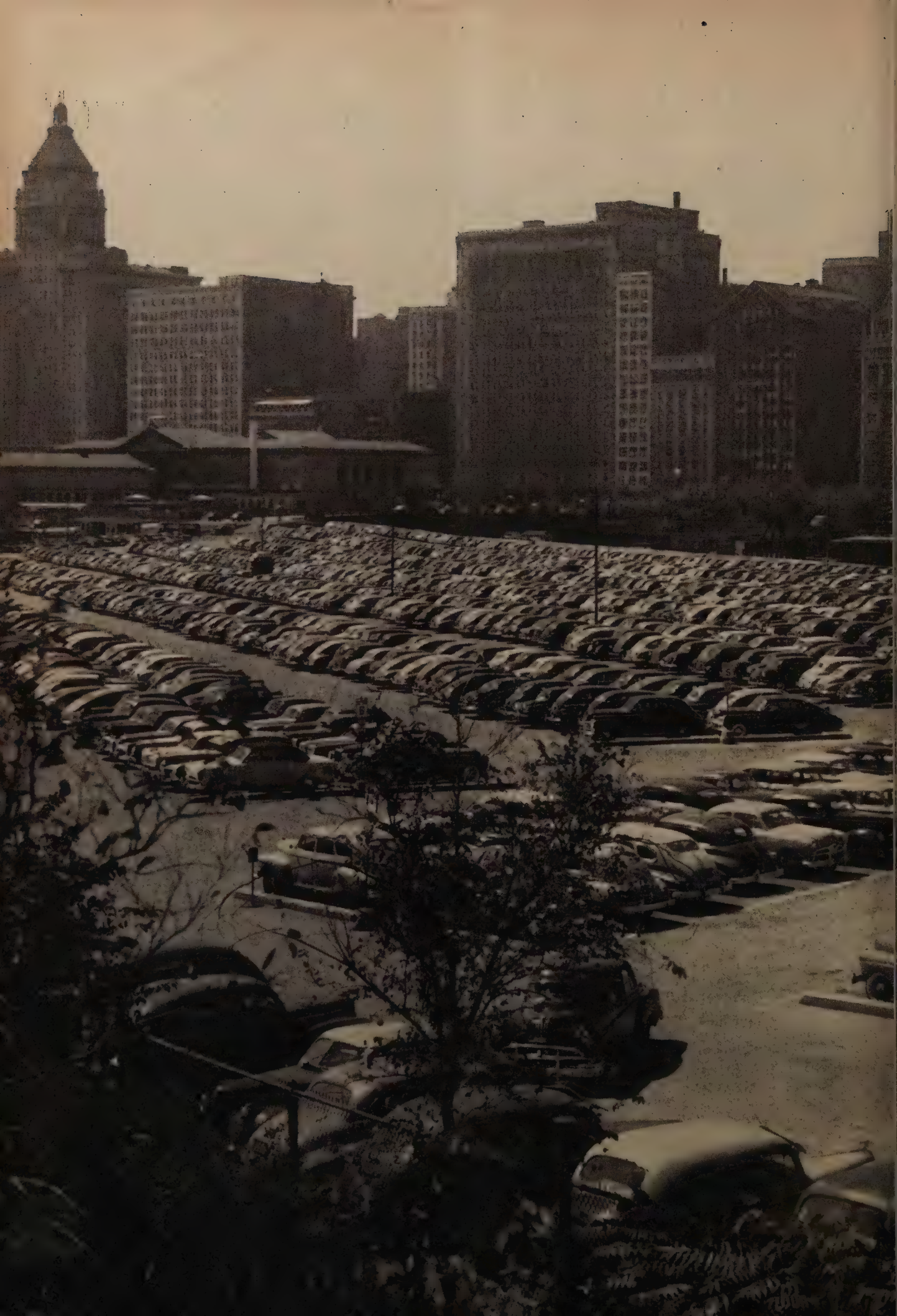


9½ Miles of Hole . . . and Still Going Strong!
The American Tiger Brand Rotary Line with which this "Oilwell" No. 76 rig is strung, has already been used in the drilling of 7 oil wells for a total of 49,700 feet of "hole." In the oilfields, the products of United States Steel are favorites, because they give longer service with less trouble.



How to use Tape without Getting Stuck. Easy. Just use the handy dispenser that comes with it! Scores of drug and grocery items these days come to you with ingenious dispensing devices built into them: like pressure cans for shaving cream, boudoir covers for cleansers, shut-off spouts for honey containers. Many of these devices are made of steel in the form of tin-plate (1% tin, 99% steel!).

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Consumer Credit Is Far From Overextended

By ARNO H. JOHNSON

***When compared with pre-World War II relationships
today's consumer credit could be increased 75 per cent***

CONSUMER credit could safely be expanded by 75 per cent over present levels—that is, from \$24 billion to \$42 billion—and still not be out of line with the current national level of discretionary spending power. Furthermore, such an expansion in consumer credit can play a vital role in maintaining our production when defense expenditures drop and can help develop the expansion in our standard of living that our productive ability warrants.

Those who "view with alarm" the present level of consumer credit point to the following as dangers:

1. The high level of consumer credit in dollars—the \$24 billion now outstanding is three times the prewar total of \$8 billion in 1940.

2. The fact that consumer credit has doubled in five years from \$12 billion at the end of 1947 to \$24 billion at the end of 1952.

3. The fact that consumer credit is now approaching the prewar ceiling of 11 per cent of disposable per-

sonal income after taxes, previously reached in 1940. Consumer credit in the first quarter of 1953 is approximately 10 per cent of disposable income.

4. The inflationary danger of any further credit expansion.

5. The fear that cuts in government and defense expenditures will bring on depression, plus the added fear that liquidating consumer debts will accelerate a depression by shrinking cash purchasing power.

Changes Overlooked

As persistently as these fears have been voiced, they nevertheless do not take into account some very basic changes that have taken place since prewar in our productivity, distribution of income and purchasing power, and in the resulting opportunity for further advances in our standard of living. In particular, there has been little recognition of the spectacular change in the discretionary spending power of our population!

Since 1940 there has been a *five-fold increase*, from \$26.5 billion to \$134.0 billion, in the level of our discretionary spending power—discretionary spending power meaning the amount of personal income after taxes that remains as surplus spending power over and above

what would be needed to provide a 1940 per capita standard of living for basic necessities at present prices.

In relation to discretionary spending power the amount of consumer credit outstanding has not increased. Instead, it has dropped from 31 per cent in 1940 to 18 per cent in 1953. To reach even the 1940 relationship of 31 per cent would indicate a possible \$18 billion expansion in consumer credit without over-extension.

But before examining further the important relationship between discretionary purchasing power and consumer credit, first let's consider the points regarded as "dangers" in the present consumer credit level.

In the first place, consumer credit today is low in relation to liquid assets of individuals and current savings. The \$24 billion of consumer credit outstanding at the end of 1952 represented 12 per cent of the total liquid assets of individuals—estimated at \$196 billion. At the end of 1940 the consumer credit represented 16 per cent of liquid assets.

Total consumer credit now outstanding represents 1.2 times the present annual personal savings rate of \$20 billion, whereas in 1940 consumer credit was 2.2 times the net savings of \$3.7 billion. Both of these relationships indicate the strong financial position of the consumer

The author is vice president and research director of J. Walter Thompson Company.

Consumer durable goods, headed by automobiles, are the basis for the rapid rise in consumer credit. The tempo of these industries also is vital to the overall pace of business.

Korth Photo

and dispute the fear that \$24 billion in consumer credit is too high.

Next, the increase in consumer credit since 1947 has been less rapid than the increase in net savings. While consumer credit doubled from \$12 billion at the end of 1947 to \$24 billion in the first quarter of 1953, the rate of personal savings increased five times from \$4 billion to \$20 billion. While 1947 was a low savings year, even the three year average of 1947-1949 was \$7 billion or one third the present rate. These rapid increases in savings further offset any dangers inherent in the rapid growth of credit.

Disposable income (personal income after taxes) has frequently been used as a yardstick of the amount of consumer credit that the economy can carry safely. From 1929 to 1939 consumer credit ranged between seven and ten per cent of disposable income. In 1940 it was 11 per cent, then dropped to 3½ per cent during the war. The 1940 relationship of 11 per cent has somehow gained acceptance as the "ceiling" beyond which it would be dangerous to allow consumer credit to expand, and right now we are nearing that mythical ceiling.

Relating consumer credit to con-

sumer income at least has the value of using something as a measuring rod. But nobody has really determined whether the prewar relationship was valid and can serve as a proper proportion now.

Disposable income, however, is not a proper yardstick for consumer credit because it has changed in character as a result of our increased productivity and the rapid change in the income distribution of families. As families have moved up from one income group to the next there has been a disproportionate change in their "discretionary" income—in their ability to save or to buy things beyond bare necessities.

Discretionary Share Rises

These changes have resulted in a change in the proportion of disposable income that is "discretionary." In 1940 only \$26.5 billion or 35 per cent of the \$75.7 billion of disposable income was available for other than necessities. Currently, of the \$246 billion of disposable income, \$134 billion or 54 per cent is discretionary income available for other than basic necessities.

Actually, the excess of discretionary spending power over the entire

outstanding consumer credit has expanded six times from \$18.3 billion to \$110.0 billion!

Today we can look forward to a one third higher standard of living without inflation, if we utilize our prewar productive ability. The fear of credit expansion as inflationary is valid only when we cannot produce enough to meet increased consumer demands. But we proved, in World War II and again in the Korean defense build-up, that we can produce enough for both a strong defense and an expanding standard of living.

Production in 1958 no greater than the per capita rate proved possible in wartime 1944 would mean a gross national production of over \$400 billion! This would be enough for a third more civilian goods and services, even after \$40 billion annually for defense and ample allowances for other government purchases and private investment. The \$40 billion figure reflects current estimates that defense may drop from peak levels but cannot safely go below that level for some years to come.

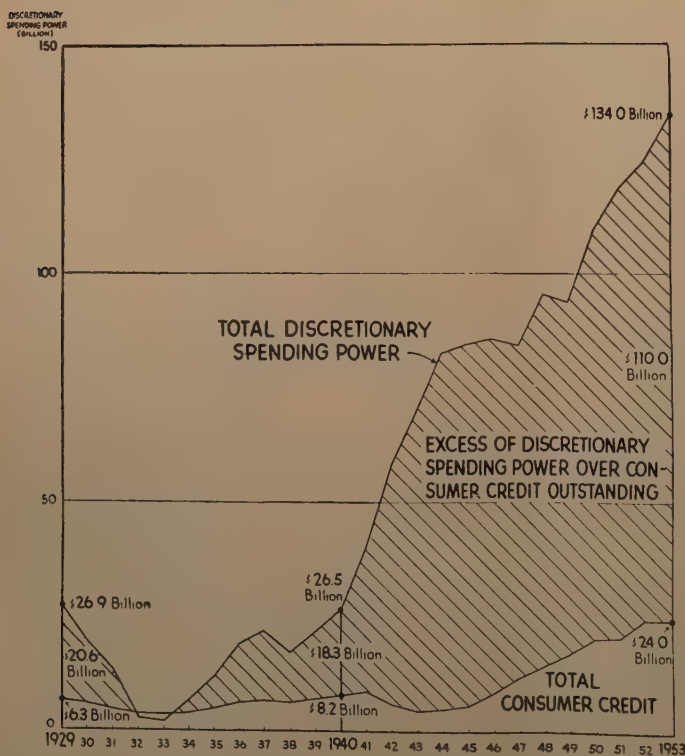
Minimum Goal

The level of productivity necessary to provide for \$40 billion of defense and an increase of one third in the standard of living by 1958 should be considered our minimum opportunity, because it would require only reaching the production level actually reached per capita in 1944 when our tools of production were far less adequate. Only one per cent per year increase in our per capita productivity over levels reached in the first quarter of 1953 will mean a production of over \$400 billion annually by 1958.

In view of this opportunity for expansion in production and our standard of living the inflationary danger of consumer credit growth would seem limited.

Meanwhile, further consumer credit expansion could assist us in attaining a 10 per cent increase in our standard of living—as a means of offsetting a defense slump. After World War II, we successfully absorbed the shock of dropping defense production and had a substantial advance in living standards. The cut-back in defense expenditures from 1944 to 1947 was the equivalent of \$128 billion at present prices, yet

Relationship of Discretionary Spending Power to Consumer Credit Since 1939



J. Walter Thompson Company

(Continued on page 28)

Ike's Economic Policy

***You have to apply the brakes
before you turn around***

By JACK ROBINS

IN one of the cloakrooms of the Capitol in Washington, two members of Congress were chatting. One complained that President Eisenhower, though he had been in office three months, had made no decisions and "hasn't yet got an economic policy."

"Oh, I don't know about that," remarked the other. "I think that if you balance the budget and stop inflation you have a very definite economic policy. Putting the brakes on inflation is a tricky business. It often brings on deflation, and that's why the New Dealers were afraid to tackle it. I think Ike is showing real courage."

A few days later the President announced the basic major decision of his first 100 days in office: a plan to cut the Truman budget for the fiscal year 1954, which begins July 1, by \$8.5 billions.

Budget Still Unbalanced

It was not enough to balance the budget, and in fact Secretary of the Treasury George Humphrey warned in testimony the following week that it may even be necessary during the year to raise the statutory debt limit above the present \$275 billion ceiling.

It was, however, a very firm step in the opposite direction to the deficit financing policy of the previous 20 years. It was a promising beginning on fulfillment of Republican promises to restore a sound dollar.

Budget balancing is, as the con-

gressman noted, a very basic economic policy. But actually more than budget cutting has been taking place in Washington under President Eisenhower. A series of actions undertaken by various branches of his administration, announced with no apparent connection, are beginning to show a pattern of deeds that matches the sound-money, middle-of-the-road, private enterprise philosophy he expressed in words during the campaign.

One of his cabinet members, a month or so after the inauguration, explained to a dinner partner the government's problem of policy-setting in these words: "It's like taking control of a heavily loaded truck and trailer going down hill at high speed. Since our party last was in office the government has grown very complex and has been traveling far in one direction. You can't just take the wheel and turn around—first you apply the brakes and then as you begin to slow down you find the right spot to turn around."

Some of the recent actions are indications that the slowing down process is taking effect.

Most recent was an important decision by Secretary of the Interior Douglas McKay to abandon Democratic plans for a big federal power dam and reclamation project at Hell's Canyon on the Snake River where it forms the border between Idaho and Oregon, and instead let the Idaho Power Company apply to the Federal Power Commission to

build three smaller dams, at lesser cost, for power alone.

Some five years ago Oscar Chapman's Reclamation officials came forward with a proposal for a dam 607 feet high at Hell's Canyon, designed to store 4,400,000 acre-feet of water and produce 900,000 kilowatts of power. The cost was estimated at \$560 million. An associated reclamation project, for the irrigation of farm lands in the region, called for another \$282 million, making the whole project an \$842 million affair.

More than two years later the Idaho Power Company applied to the FPC for permission to build three smaller dams, one at Oxbow, one at Hell's Canyon, and one at Brownlee. Estimated total cost: \$133 million, all from private capital. Power capacity: 783,000 kilowatts.

Chapman Reversed

Chapman opposed the application on the ground that building of the three dams would make the bigger federal project impossible, and succeeded in holding off action until now. McKay's reversal consisted of serving notice that Interior would no longer oppose the application—in effect giving Idaho Power the green light.

It was, McKay noted, an action cleared with President Eisenhower and his cabinet, and therefore a significant turn in national policy. At the same time, the Interior Secretary made it plain that Ike and he did

(Continued on page 46)



EXECUTIVE TURNOVER

A leading management engineering firm

found 28 reasons why top executives

are changing jobs at a rate one-third

faster than they did before World War II

ONE of a chief executive's most important responsibilities is keeping a capable management team on the job. It's a problem that absorbs, by some executives' estimate, 30 per cent or more of top level time.

Our research department has tried to find out how well businessmen are solving their executive turnover problem, what are the underlying causes for turnover, and what business can do to solve it. Two separate approaches were taken.

First, executive turnover during two five-year periods, one prewar and one postwar, was studied in over 1,000 positions in 100 companies. These companies, with 1952 sales volumes ranging from 50 million to several billion dollars, represented 14 major industries. Next, job-seeking executives—422 of them, from presidents to department heads—were interviewed to find out why they were "on the move."

While turnover varied widely from company to company, the over-

The author is a partner in Booz, Allen and Hamilton, management consultants.



By **EDWARD J. BURNELL**

company's directors and presidents are concerned, executive turnover can't be shrugged off as a by-product of economic change. Businessmen know from experience that when executive talent is scarce, their best men are most sought after. But, while business expansion provides the opportunity for an executive to move, it doesn't explain why he moves.

Thus the next step in the study was to unearth the basic causes for separation. First, it was found that deaths and retirements accounted for approximately 56 per cent of separations, both prewar and postwar, in the 100 companies studied. Deaths and retirements, therefore, have kept pace with the over-all separation rate. After these separations were accounted for, there remained the question of why other kinds of separations, accounting for some 44 per cent of the total in both periods, had also increased by about 29 per cent.

To explore this area, 422 "on the move" executives were interviewed. Slightly less than one-sixth of these 422 executives had been laid off because they no longer fitted into company plans or because their services had been unsatisfactory. The remainder had left of their own accord.

All Ranks Restless

The job-seeking executives included all levels from presidents to assistant department heads. The reasons they gave for leaving are shown in the accompanying table, where, incidentally, reasons outnumber executives because many men gave more than one cause of separation.

"Other reasons" include a score of items, no one of which was mentioned by more than six per cent of the executives interviewed. They included change in location for health or family reasons, dissatisfactions over organizational changes, working conditions, community problems, doubts about the future outlook for the company or industry, and personality clashes.

There was strikingly close conformity in the reasons given by all executives, whether from small or

(Continued on page 43)

all survey findings justified these conclusions:

Accepting the experience of 100 companies as indicative, industry has been adding executives at a 46 per cent faster rate and losing them at a 29 per cent faster rate postwar than prewar. Deaths and retirements have increased, but the share of losses attributable to these causes remains virtually the same postwar as prewar—about 56 per cent.

Reasons Form Pattern

Thus, it is clear that companies are losing executives, for reasons other than death and retirement, almost one-third faster than prewar. Literally dozens of combinations of reasons for executives' leaving their jobs were advanced but, broken down, they form a definite pattern.

Interviews with job-seeking executives revealed 28 different reasons for moving. But over 63 per cent advanced one or more of four top reasons, in this order of frequency: (1) to step up immediately to a bigger job with more responsibility, (2) to find greater opportunity for future

growth, (3) to obtain increased income, and (4) to terminate an unhappy situation involving policy differences.

Within the framework of these broad conclusions, there are, of course, many variations, indicating that each chief executive must deal with a set of circumstances peculiarly his own in keeping his company adequately equipped with executive manpower. The survey nevertheless indicates that there are some basic elements in executive restlessness which are identifiable and can be dealt with in a planned and orderly fashion.

This supports a conclusion which more and more top management people are reaching. Simply that it is possible and desirable to strike a balance between a company's requirements and the personal goals of its executives.

Postwar economic expansion seems to have played an important part in increasing executive turnover, because additional jobs for executives have been opening up over four times oftener postwar than they did prewar. But as far as an individual



Mundy I. Peale, president of Republic Aviation Corp., shows reporters how the company's famed Thunderjet fighter-bomber stands guard at strategic locations bordering Soviet territory.

AVIATION'S NEXT 50 YEARS

The first half century was only
a start; nothing seems impossible now

AVIATION this year is celebrating the fiftieth anniversary of powered flight. In December it will have been half a century since the Wright brothers made their historic flight at Kitty Hawk. That beginning of aviation covered a distance of just 120 feet — or about half the wing span of one of today's intercontinental bombers. However great they have been, we now know that the achievements of aviation's

first fifty years are only the beginning.

Within the next five years our knowledge about what goes on in the upper reaches of our atmosphere will be extended two to three times beyond the limits it has taken us a half-century to attain. We have, in fact, come into a stage of development which leads me sometimes to accuse our engineers of stealing blueprints from Buck Rogers.

Recently I saw a group of men in our test laboratories working on the tail of an airplane. They had turned

it upside down in the jig for convenience. That seemed rather funny, but in our experimental shop a few minutes later I saw other men seriously building a tail that really would be mounted upside down on a prototype aircraft. That is exactly where we are in the forward flight of aviation — in a stage where nothing that occurs in the comic strips is regarded as impossible. We have smashed through the once mysterious sound barrier. Now we are encountering new but not insoluble problems as we penetrate higher, faster and farther toward the limits of the earth's atmosphere. Engineers are even predicting that within the next decade the U. S. aviation industry will be producing aircraft that will travel at 2,500 miles an hour — and even more!

It is glorious to contemplate such advances. But unfortunately there are many kinds of men, and because of the evil frame of mind of some of them, the development of aircraft is now largely concentrated upon producing craft able to scatter death and devastation in ways that appall the human mind. This is probably the greatest fact that we must face up to in our lifetime.

The secrets of aircraft which can literally outrace the sun and of weapons which embody the force of nuclear energy derived from the sun are known not only to men of good will but also to men whose motives we can only guess at. If we can build airplanes that fly at 2,500 miles per hour, we must expect that they can, too.

Russians Good Too

It is disturbing to hear people these days express amazement that the Russians could produce an airplane like the MIG-15. Many of our people seem to think that we in the United States and the free world have an absolute monopoly on all advanced scientific and technological thinking and doing. It is going to be a surprise to such people when they

By MUNDY I. PEALE

I hear about the MIG-19 and the other very advanced types of planes the Russians are now producing.

The quality of Soviet engineering is very high indeed, and we are told that they have over their vast territory a considerable number of top-flight engineering and technical training centers. It is something of a shock to realize that many of the most spectacular of our own aviation advances have been accomplished by Russian-born engineers who picked America as their home. Just to name a few, there are Seversky, Sikorsky, Sherta, Kalitinsky — and "Sascha" Kartveli who heads our Republic staff of more than 1,200 engineers. So whatever we may think of the political leanings of Russian scientists, we can agree that there are no flies on their technical qualifications.

Soviet Science Gains

To realize what tremendous strides the Russians have made, one need only glance through scientific journals like the Mathematical Reviews and see the treatises on atomics, aerodynamics, physics, electronics and other aspects of new sciences written by scientists behind the Curtain.

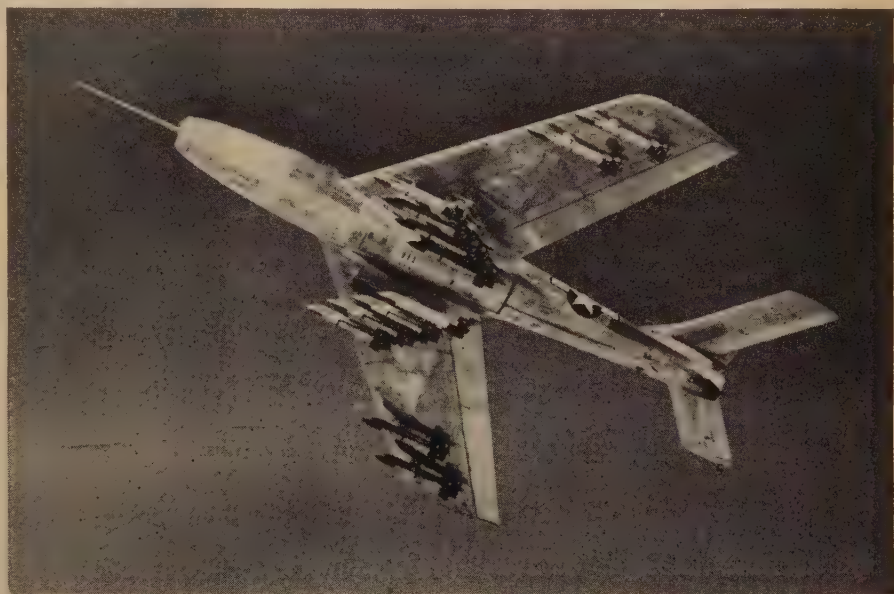
We Americans have been especially good in the applied sciences, reducing theories to practical production. We have the qualities for leadership in theoretical science, what with all our native scientists and those from other lands who have joined us. But we must work much harder and devote more time, effort and intelligence to staying ahead in all branches of science. Theory is only valuable if it can be applied, and we are better able to apply it if we apply ourselves.

It is reasonable to predict that when and if we get to our authorized air force strength of 143 wings, a great many people will heave a sigh of relief and say: "Well, that's that." It is easy to forget that this figure of 143 wings was set by our

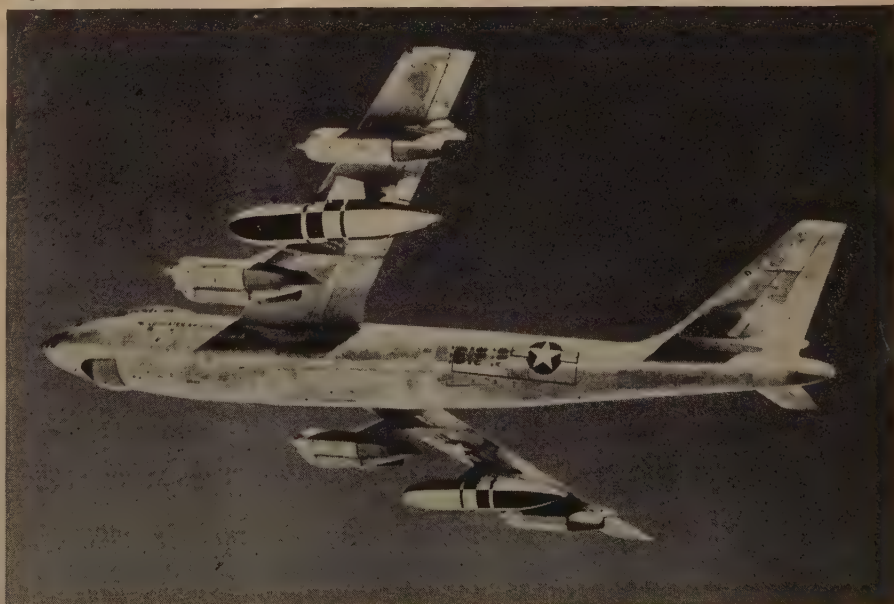
(Continued on page 25)



Lockheed's successor to the F-80 Shooting Star is the F-94C Starfire, in the 600 mile per hour plus class



The Republic F-84F Thunderjet fighter-bomber above displays its deadly load of high velocity rockets



Boeing's new B-47B Stratojet has greater range than predecessors in the Stratojet series through the use of auxiliary fuel tanks



After removal of top soil, limestone is loosened by explosives, then picked up in 18-ton bites by this \$750,000 "shovel"



First processing step is to crush the stone in a giant mortar and pestle which swallows up 100-ton carload at a time

Raw materials we live by—

Limestone

TWENTY-FIVE hours away from Chicago by one of the newest and fastest of the huge bulk cargo ships on the Great Lakes lies one of the world's richest deposits of limestone, the versatile raw material which is essential to steel making, agriculture, building, medicinals and a host of other basic products and processes.

This vast deposit was formed several millions of years ago when what is now the Michigan peninsula was a salt sea. The stone accumulated from the skeletons of countless generations of marine life. Pictured on this page is an operation carried on by Michigan Limestone

(Continued on page 39)



After crushing, the stone is moved entirely by belts through the 14-story washing and sizing mill out to storage piles



Airview of Michigan Limestone's docks, plant and storage piles. The ships are two of the seven self-unloaders owned by the company

Abrams Aerial Survey Corp. Photo

U. S. Taxes Sire Own Point IV Action

Business is being lured abroad by tax advantages, with

Puerto Rico and little Liechtenstein favored locations

By L. C. CARPENTIER

MILLIONS who listened to the popular weekly radio broadcast "Duffy's Tavern," would have been surprised to learn that this homespun American drama was actually written and planned on the tropic isle of Puerto Rico! The reason: its producers decided that U. S. taxes were too high, and so they moved their base of operations to Puerto Rico, where the tax rate is more favorable.

Motivated at least in part by the urge to keep a reasonable percentage of their earnings, other American business men have quietly shifted their operations to other countries. Canada and Latin America have been the most popular places for those seeking relief from confiscatory taxes. But Europe and even distant Pacific countries have also benefited to some extent.

Popular Legal Domicile

Perhaps the most graphic example is Liechtenstein, a dot on the map between Switzerland and Austria.

"Hundreds of American firms have technically moved their seats of organization to this constituent monarchy," reports THE MAGAZINE OF WALL STREET. "Numerous other U. S. companies have branches and agencies there." All told, an estimated 3,000 foreign companies and individual entrepreneurs have their headquarters in this tiny dot which covers only 127 square miles. According to THE MAGAZINE OF WALL STREET it is home to "more foreign corporations and holding companies than any other country in the world."

The reason: Liechtenstein's corporation laws are made to order for free-wheeling free enterprisers. A company transferring its seat of operations to Liechtenstein signs an agreement with the government which guarantees that the company's tax rate will not be raised for 30 years. Holding companies pay no income tax whatsoever, while capital levies may go as high as 0.1 per cent. A modest five per cent is withheld from dividends. The govern-



Miller Toy plant at Manati, P. R., owned by three brothers who are former Chicagoans



A Puerto Rican girl, locally trained in electronics work, operates an oscilloscope



Univis Optical Company's \$1,000,000 plant employing 20 persons in Puerto Rico



Making carbon resistors in Puerto Rican plant of Radell Corp.

ment often dickers on tax adjustments, and firms can sometimes make a lump-sum settlement for considerably less than the legal minimum.

What's more, a foreign company coming into Liechtenstein needn't bother to revamp its corporate structure to conform with local laws. Add to this a stable government and an absence of popular discrimination against foreign business and you have a setup that has seemed ideal to some tax-harried U. S. businessmen.

Canada Big Attraction

Though Canada is not so *laissez faire* in its dealings with foreign investors, Uncle Sam's northern neighbor has attracted an increasing volume of private U. S. capital. In this movement, there are, of course, factors other than taxation. More than 2,500 U. S.-controlled companies are operating in Canada, and they account for one-quarter of Canada's manufacturing volume. Canada's problem is no longer attracting foreign capital, but rather, how to best absorb U. S. dollars into her vibrant economy.

The Aluminum Company of America was one of the first American firms to invest in Canada. Alcoa's pioneer venture was made back in 1925, and now the company has some \$375,000,000 worth of Cana-

dian assets. It is the No. 1 U. S. investor north of the border. The list of U. S. firms investing in Canada reads like a blue book of American business: Sears Roebuck, Kennecott Copper and Inland Steel, to name just three.

What is so attractive about Canada? For one thing, it has an amazing store of natural resources awaiting development. Canada levies no capital gains tax and corporate income taxes are less than those of the United States: 18 per cent on the first \$20,000 of annual income and 47 per cent on everything over \$20,000. A two per cent old-age security tax is levied on all corporate earnings. By comparison, corporate earnings in the U. S. are taxed 30 per cent for the first \$25,000 and 52 per cent for anything over \$25,000. In addition, many U. S. businesses must pay a 30 per cent excess profits tax.

Another factor in Canada's favor is that she has managed her economy shrewdly since the end of World War II. To the envy of businessmen in deficit-ridden United States, Canada has pared down her debt and is now operating in the black. Her currency is one of the world's strongest, and Canada radiates a feeling of friendliness and security which looks mighty good to foreign-minded U. S. investors in a world churned by revolution, expropriation and anti-Americanism.

A similar economic climate exists

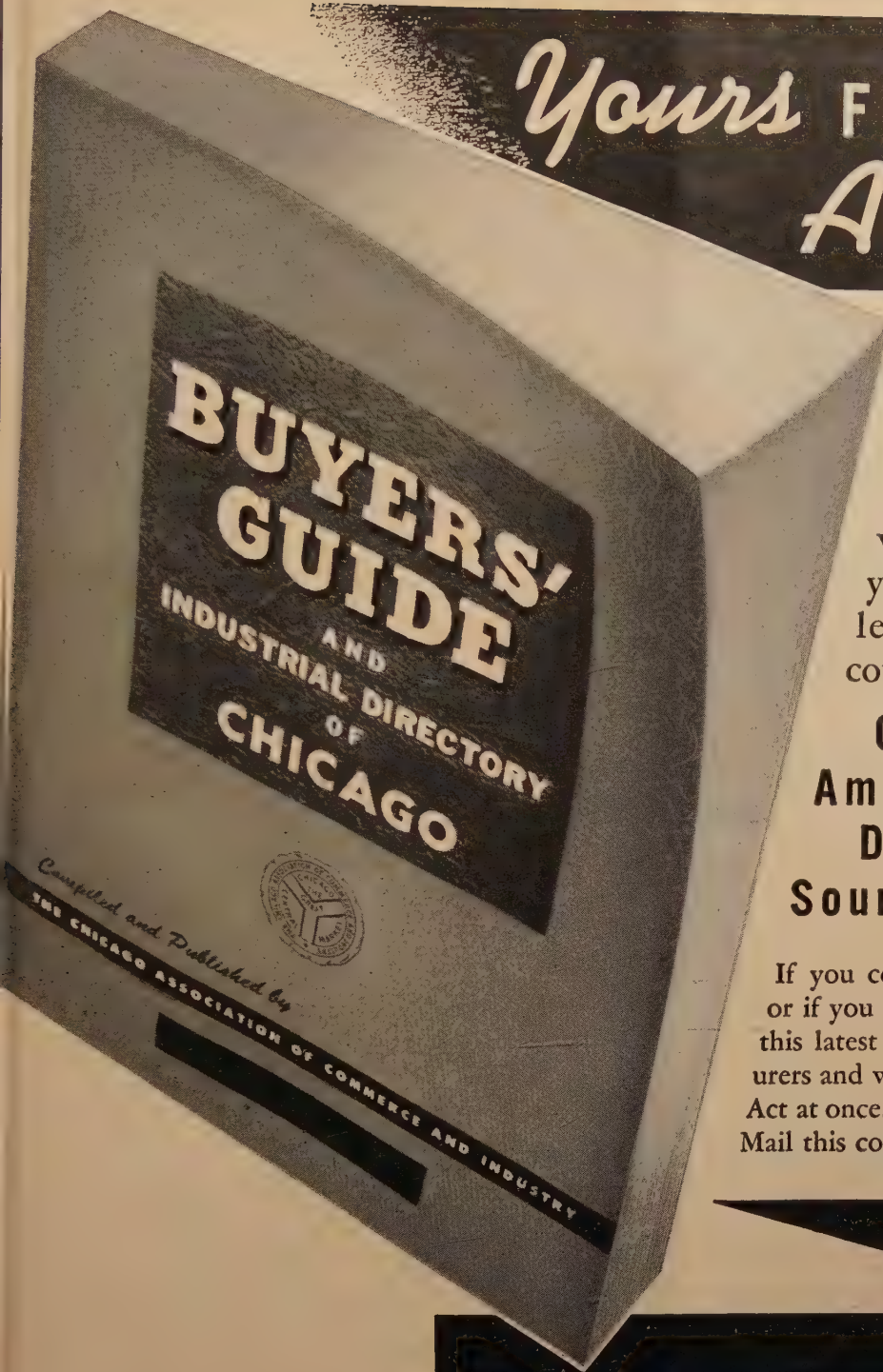
on the sunny Caribbean island of Puerto Rico. This U. S. territory has, in the last few years, launched an aggressive drive to diversify the island's one-crop, sugar-economy by attracting industries from the U. S. mainland. This program began with a law passed in 1947, which offered complete income tax exemption to desirable U. S. corporations. Such exemptions last until June 30, 1959, with partial exemption extended for three more years. To qualify, a company must: (1) derive at least 80 per cent of its income from Puerto Rico; (2) conduct 50 per cent or more of its business on the island; (3) prove that it is not discontinuing operations within the U. S. (apparently, the fact that "Duffy's Tavern" was broadcast from the mainland enabled them to qualify); (4) produce a different sort of product than was made on the island in 1947.

Equality For Local Firms

Native Puerto Rican corporations and partnerships were also made tax-exempt, on the theory that the best way to stimulate business is to allow business to earn profits.

Those industries which are non-exempt receive special tax advantages, and taxes on insular corporations are limited to 20 per cent, with surtax from five to 20 per cent. There is no state tax. The tax-exemption act of 1948 also lists 42 basic indus-

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tries that are automatically exempt because of their importance to the Puerto Rican economy.

To sell its desirability, Puerto Rico has a promotional and research organization known as Economic Development Administration. With branch offices in New York City, Chicago, Philadelphia and Los Angeles, EDA works closely with prospective industrial firms.

What have been the results of this ambitious program?

"National income — measured in dollars of constant purchasing power — doubled between 1940 and 1950 [in Puerto Rico]," reports the Chase National Bank. "Income per person went up almost 70 per cent. . . ."

In the five years ending with 1952,

200 new factories were opened. Among the prominent U. S. firms now operating in Puerto Rico are Univis Optical Company, Dow Chemical Company and Sylvania Electric.

Lower taxes have also been an important factor influencing the decision of a number of U. S. firms to move into Peru. All told, more than \$300,000,000 worth of American investments are bolstering the economy of the nation. Shell Oil, Gulf, Standard Oil and Socony-Vacuum are investing in Peruvian oil under the terms of a special act designed to attract foreign capital. Earnings are split fifty-fifty with the Peruvian government and relatively low taxes make it worthwhile doing business

there. (Ten per cent of a company's capital and reserves are tax-free.)

Over in India, the door has recently been opened to foreign investors. After years of violent anti-colonialism under British rule, the Indians feared that U.S. investors would try to take over their nation after independence was achieved. To the Indians' great surprise, this did not happen. American business interests stayed away in droves, and as a result India was hard put to carry out her plans for modernizing the Indian economy. So the Indians began making cautious overtures to attract U.S. capital.

Protected by twenty-five year guarantees against nationalization and profits blocking, Texas Oil Company and the Vacuum Oil Company are building refineries in India.

U.S. Cyanamid Company has opened a dyestuffs plant in Bombay. USCC owns ten per cent; the rest is controlled by Indians. Know-how is supplied by American management which supervises the plant.

Japan, too, is drawing private capital from the U.S. by means of special inducements. When U.S. occupation ended, U.S. financial aid ended also and the Japanese faced two alternatives: 1) Apply for government aid under Point IV or 2) Attract capital from abroad. They chose the latter.

A foreign investment law was passed guaranteeing investors remittance in dollars of interest, dividend and principal. Provision is also made for just compensation in the case of nationalization — an extremely remote possibility. Japan has followed Canada's example in balancing their budget, getting rid of many government controls and cutting taxes — further signs of stability which attract foreign investors. The result has been a steadily increasing flow of private U.S. capital to Japan.

Widespread political unrest and a growing anti-American feeling abroad have sharply reduced the amount of U. S. venture capital flowing overseas. Less than \$1,000,000,000 per year of private funds are being invested abroad, and many experts feel that at least \$4,000,000,000 is necessary to raise the standards of certain free nations which are backward economically.

However, those countries which have taken the trouble to offer U. S. venture capital favorable tax rates and fair protection have succeeded in attracting Yankee dollars.

SPRAYCRAFT

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Aviation

(Continued from page 19)

Joint Chiefs of Staff not as the ideal air force, but as the barest minimum which they consider necessary for the defense of this country's interests.

To be sure, there are some positive entries in our audit of American air power. Now in production are at least eight types of fighters superior in performance to the Russian-built MIG's, and more are moving toward the production lines which will surpass all present standards of performance.

An American fighter has established a world's speed record of 698.5 miles per hour for a combat-equipped jet fighter. Two very-long-range jet bomber prototypes, powered by eight engines, have made successful flights and may be presumed to be in production.

In Flight Refueling

Development of in-flight refueling techniques has made it possible for entire jet fighter wings to cross the Atlantic and Pacific oceans. Other experimental planes have flown more than 1,200 miles per hour and have reached altitudes of more than 79,000 feet—about 15 miles above the earth's surface.

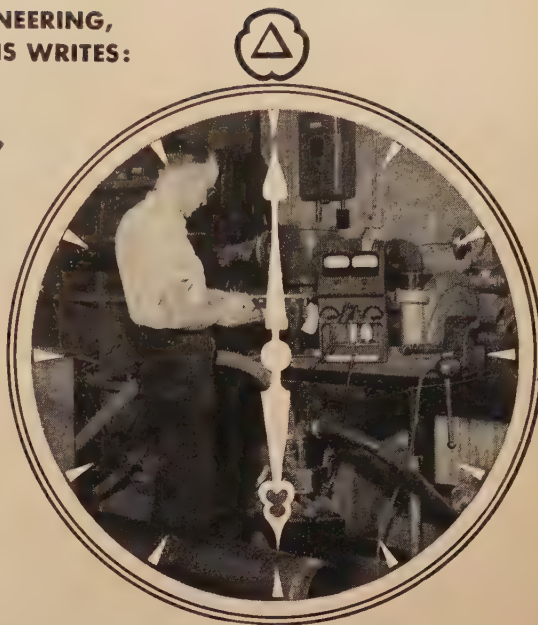
Rapid strides have been made in development of guided missiles, and at least one type is nearing the point where it could cross the Atlantic. With proximity fuses and electronic devices, they can almost chase an individual enemy right into his foxhole. Other kinds can be carried by aircraft for air-to-air combat with the help of radar and other detection and aiming devices.

On the higher levels of global air strategy, perhaps the most significant development in air power in recent years has been the production of atomic weapons much smaller and lighter than the bombs that fell at Hiroshima and Nagasaki. Last month the air force announced that the F-84 Thunderjet is one of five U. S. air force planes — and the only air force fighter — that can carry an atomic bomb. A wing of Thunderjets so equipped is now stationed in Great Britain.

This new capability of smaller airplanes has posed a threat to the Russians that neither they nor anyone else can ignore. The addition of

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small, fast airplanes to our hangar of atomic carriers gives them something new to think about. But it is a two-edged threat, which brings us to a point where we should reassess our own military position in the world.

Where do we go from here? What size air force do we really need? If the Russian peace feelers should prove to be real, what do we then do? To this moment, there is no official confirmation that the potential enemy has retired a single MIG or a single atomic weapon from his arsenal. The plain truth is that we don't know exactly what he has or what he intends to do with what he may have.

So before we indulge in self-praise about how far we have come in the build-up toward our 143-wing air force, let's stare the truth in the eye. Early this year the air force had some 100 wings in being — but about half of them were obsolescent! By next month, we will have 106 wings — but about one-third will be obsolescent.

If we ever arrive at the stage where we really do have 143 wings, it is entirely probable that a considerable part of those wings will be obsolescent because the other fellow will have gone just as fast as we are going if not faster! So there is no cause for complacency whatever, now or as far as we can see ahead.

The United States Air Force today is the first line of defense of this country and of most of the free

world. As one of the foremost ground force leaders of our time, Field Marshal Viscount Montgomery, puts it.

"The dominant factor in war today is air power. And your air forces . . . are the main striking weapon at once. Therefore the necessary air forces have got to be kept at a high state of readiness and efficiency in peacetime!"

To win any future war, the United States must be eternally ready. If anyone can tell us when we arrive at that stage — then we might know when we can cut taxes and stop building up vast amounts of arms.

We now have jet engines that develop 10,000 to 12,000 pounds of thrust. Ten years ago, a jet engine that developed 800 pounds was regarded as pretty hot. But what problems have we encountered in this race to stay supreme in the air?

Maybe one way is to recall that a World War II fighter plane required 41,000 direct engineering man hours to build, whereas the latest air force fighter requires 1,132,000 hours — 27 times as much!

The best way to give the American taxpayer a break and at the same time provide him with the security of air supremacy is to adopt a sane and sensible program of airplane procurement, designed to keep us abreast or head of the potential enemy. We now have invested or set aside close to \$60 billion for air power since the beginning of the Korean war. But we cannot go on



Happes

"Your Dad has one heck of a job — no chance for advancement!"

Throwing money into vending machines on the spur of the moment and have real air power come out. Building and maintaining air power requires a sane, sober and steady program—not a program of panic.

We cut back our air power appropriations—from the end of World War II to the start of the war in Korea—to two billion dollars a year. Then, when the alarm sounded, we appropriated more than \$18 billion a year.

It is estimated that if we had been operating under program of long-range aircraft procurement, the defense buildup since Korea would have cost some two to three billion dollars less than it has to date and our planes would have been further advanced. It is in the area of long-range planning alone that we can hope to make substantial savings in building up an adequate air force.

We cannot achieve such savings with the stop-and-start, feast-or-famine pattern of procurement that up to now has marked our air power program.

Today's incredibly fast and complex aircraft have caused a technological revolution in engineering with all the new things that have had to be worked out in jets, atomics and electronics. The lead time required to bring new airplanes into being is lengthening. We are constantly working to reduce flow time, but certain components seem to require just so much time—and without those components, you can't have airplanes. Not one of the planes developed during World War II saw combat in that war! We are working today on planes that cannot be produced until the late 1950's and early 1960's. And we know that the men behind the Iron Curtain are not holding back.

Man is now facing a challenge such as he has never been called upon to face before. On the one side there is the urge of pure intellect to solve the great and terrifying mysteries that are now opening themselves to us. On the other is the horrible knowledge that men of ill will are also solving the same problems. Where do we go from here? I hope it is on to the point where the United States of America is and remains absolutely supreme in the air!

The foregoing article has been adapted from a speech by the author delivered April 23 before the National Aeronautics Dinner of the Society of Automotive Engineers in New York City.

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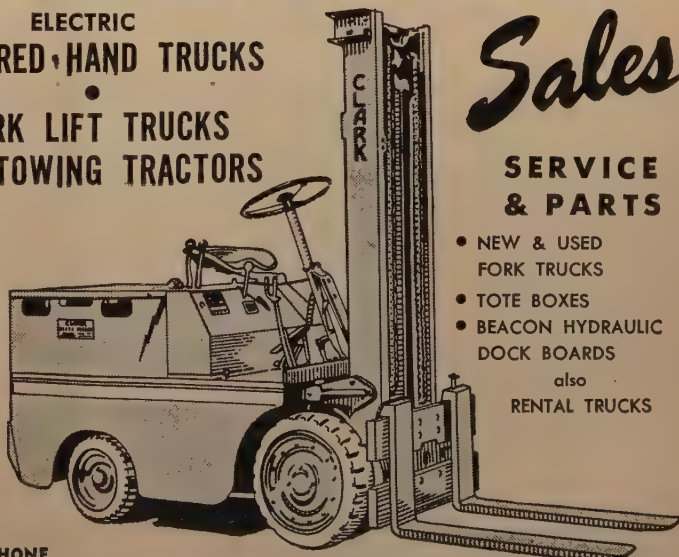
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Consumer Credit Far From Overextended

(Continued from page 14)

many now warn of depression if only \$10 to \$20 billion is cut from our 1953 defense peak.

The American standard of living in 1952 was at a level of \$216 billion annually. So a 10 per cent increase would easily absorb an additional \$21 billion of lost defense production.

The fear of recession in 1953, therefore, seems exaggerated. A relatively small increase in consumer purchases could more than offset any contemplated cut in government expenditures, and the level of purchasing power in the hands of consumers is such that a substantial increase in purchases could occur—offering real opportunities for aggressive marketing and the expanded use of consumer credit.

Now, as was pointed out earlier, important changes have taken place in consumer purchasing power and discretionary income. Between 1941 and 1952 there were some very significant upward shifts in the distribution of families by income groups. In 1941 only 1,564,000 consumer spending units had incomes over \$5,000 before taxes; in 1952, 8,400,000 had incomes over \$5,000 *after Federal income taxes!* In 1941 there were 5,703,000 with incomes over \$3,000 before taxes; by 1952 about 26,420,000 or about $4\frac{1}{2}$ times as

many had incomes over \$3,000 *after Federal taxes!*

When families move up from one income group to the next as rapidly as this there is a substantial increase in discretionary spending power, even after taxes and after applying the present increased costs of living to the basic items that made up the family's former standard of living.

Real Buying Power Up 66%

The net of these shifts was an increase of 66 per cent in real purchasing power in 1952 compared with 1940 after taking into account increased taxes and increased prices. This opportunity for increased standards of living also increased the need and usefulness of various forms of consumer credit—at the same time the financial ability to have credit increased.

Furthermore, this shift in income distribution of families has resulted in a much more rapid growth in "discretionary income" than in "disposable income." While disposable income, after taxes, is often used as a measure of consumer purchasing power it fails to reflect the truly dynamic force of millions of families moving upward in income groups and facing opportunities for substantial revision in their standard of liv-

ing. This discretionary income is a better reflection of changing opportunity.

Disposable personal income in the first quarter of 1953 is at the annual rate of \$246.0 billion—even after the increase in personal taxes! So the consuming public has \$134.0 billion or five times as much in the form of discretionary buying power over and above what is needed to provide the necessities for a 1940 standard of living.

At no time in history have we experienced any such volume of discretionary income. The amount in 1929, for example, was only \$26.9 billion and was even lower in the period between 1929 and 1939.

But it takes time for a family to move from a cabbage standard of living to an artichoke standard of living. There is psychological inertia to change, and in overcoming that resistance and hastening an upward adjustment to the higher living standard there is much hope for sustaining markets.

Here then are impressive facts which demonstrate that discretionary spending power is a more valid measure of the potential use of consumer credit than the relation of credit to disposable income or other factors. The present level of \$24 billion of consumer credit is low in relation to discretionary income—it represents only 18 per cent as compared with a prewar 1940 ratio of 31 per cent.

There is nothing magic even in the 1940 relationship of 31 per cent. There was no particular evidence of strain on credit repayments at that time. Perhaps the ratio could have been higher with almost equal safety. But accepting 31 per cent of discretionary income as a conservative relationship for consumer credit would mean that the total of consumer credit outstanding could be increased 75 per cent without exceeding the 1940 relationship.

This would mean an additional \$18 billion and a safe limit total of \$42 billion under present levels of production and income. At this potential level consumer credit would represent:

31 per cent of discretionary income—the same as in 1940 or the five year average from 1936 to 1940;
17 per cent of disposable income after taxes—the ratio was 11 per cent in 1940; and
2.1 times the annual personal sav-



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ings of \$20 billion — in 1940 the ratio was 2.2 times personal savings and in 1939 it was 2.6 times.

Even with the 75 per cent expansion to \$42 billion of consumer credit there still would be an excess of \$92 billion of discretionary spending power over the consumer credit outstanding, or five times the excess of discretionary spending power in 1940.

A recognition of the present strength of the consumer purchasing power and ability to carry a substantially larger level of consumer credit could play an important part in the encouragement of an advancing standard of living. Our productive ability is such that we could and should have a third higher standard of living than at present.

We shall need an immediate advance in our standard of living of upwards of 10 per cent in order to avoid depression and unemployment when defense spending slackens. So let's examine critically the validity of old prewar yardsticks for consumer credit lest we underestimate and hamper its role in the era of intensive selling and expanding standard of living ahead of us.

Trends In Finance and Business

(Continued from page 10)

Results of a study carried on by Dr. Kuznets since 1941 and now published in a 768-page volume by the National Bureau of Economics research. Dr. Kuznets is professor of economics and statistics at the University of Pennsylvania and an outstanding authority on national income.

Insurance Coverage Broadens—

The number of applications for ordinary life insurance reached a new high last year at 6,970,000, and the proportion of applications accepted was likewise at a new peak, the Institute of Life Insurance reports.

The remarkably high proportion of 97 out of every 100 applications approved reflected the more careful check-up on applicants, providing a more accurate measurement of insurability, and the substantial increase in the issuance of extra-risk insurance.

Last year more than 400,000 new extra-risk policies were issued to per-

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sons in impaired health or hazardous occupations. This was an increase of 12 per cent over the figure two years ago. In many instances the 1952 policies were issued to persons who would have been uninsurable by standards of a generation ago. The largest proportion of extra-risk cases — about one-fourth of the 1952 total — was made up of persons with some evidence of heart disease. The second largest group, about one-fifth of the total, were persons engaged in hazardous occupations, and the third largest group involved overweight or underweight persons, with overweight the predominant hazard factor in this group.

Because of extra-risk policies, only a few occupations are now so hazardous that they are a bar to life insurance protection.

• **Commies in Industry** — An increasing number of companies are developing files on local and national subversives and Communist "front" groups in order to protect themselves against the potential saboteur, according to a study completed recently by the National Industrial Conference Board.

The Communist sympathizer or party member who is already on the payroll is the greatest threat to American industry, in the opinion of security personnel contacted in

making the survey. A large number of executives in industry and in labor unions urge government assistance to help the employer get rid of the bad security risk.

The study declares that the responsibility for solving the problem of the Communist threat to vital defense production facilities rests squarely on industry, and that the armed services and other federal agencies at best can only give needed advice.

• **Mutual Shifts Holdings** — In the ten years from 1942 to 1952, the Mutual Life Insurance Company of New York reduced its holdings of low yield government and municipal bonds by hundreds of millions of dollars and invested instead in higher yielding public utility and industrial bonds and in mortgages.

At the end of 1952, the company's holdings of governments totaled \$210,800,000, or 9.3 per cent of total assets of \$2,267,500,000, as compared with holdings of \$643,900,000 in 1942, equal to 40.56 per cent of total assets of \$1,587,500,000.

Holdings of state, county and municipal bonds at the end of 1952 were down about \$21,000,000 from the 1942 figure, and holdings of Canadian securities were down \$26,000,000. Another category



"Quick, Ed... get out the tape measure! It looks like a record throw!"

showing a sharp reduction was railroad securities, including equipment trust obligations, with a total of \$21,000,000 at the end of 1952 against \$95,400,000, a decade ago.

By contrast, the company's investments in public utility bonds increased to \$489,700,000 from \$231,700,000, holdings of industrial bonds increased to \$547,300,000 from \$102,500,000, and mortgage loans rose to \$627,700,000 from \$222,000,000. Investments in preferred and common stocks were boosted to \$67,400,000 from \$8,100,000.

A gross yield of 4.15 per cent was realized on new investments made in 1952, against 3.77 per cent in 1951, and the gross yield on all assets rose to 3.43 per cent from 3.34. Louis W. Dawson, president, reported that the company liquidated \$372,195,900 of investments on which the average gross yield was 3.59 per cent, and bought \$441,290,900 of investments yielding 4.15 per cent.

• Plenty of Gasoline—Gasoline mileage of automobiles will increase 40 per cent when engines reach a 12 to 1 compression ratio and operate on 100 octane gasoline. The saving to the motoring public, based on the present level of consumption and price of gasoline, will total four and one-half billion dollars annually. The author of this forecast, Dr. Gustav Egloff of Universal Oil Products Company, has other comforting words for the motorist and others who use petroleum products. The known reserves of oil have been maintained despite the ever-growing consumption, Dr. Egloff says, and improved processes have greatly increased the yield of gasoline. The noted oil scientist made these statements before the Bond Club of Chicago.

• Industry Aid to Education—The growing importance of business support for education and educational institutions is indicated by a survey just completed by the Manufacturing Chemists' Association, Inc. More than a thousand college scholarships and fellowships were made available to deserving students in the past year by chemical and related companies, the survey shows. The Association declares that this represents a substantial increase over previous years,

and predicts a further increase for the year 1953-54.

The value of 1,036 scholarships and fellowships provided by 34 companies was placed at \$1,618,000 annually. In addition, many companies made direct contributions to the educational institutions themselves in the form of grants-in-aid or funds to support research. The practice of providing a grant-in-aid to the college during the life of the scholarship is growing, and is a recognition

of the fact that tuition alone seldom covers the college's cost in educating a student, the Association notes.

• Taconite Recovery Progress—The assault on taconite ores to force them to yield their vast reserves of iron is continuing to gain. Battelle Memorial Institute, Columbus, O., reports the development, on a laboratory pilot-plant scale, of a new process for the recovery of iron from taconite. The process is called

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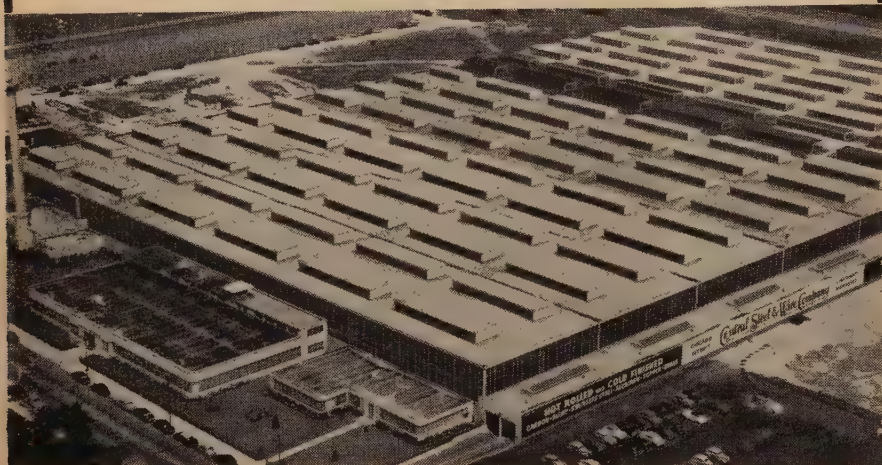
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• **A Billion for GI Home Loans**—Savings and loan associations and cooperative banks will earmark a billion dollars for GI home loans during the remainder of 1953 as a result of the increase in the allowable interest rate to 4½ per cent, Charles L. Clements, president of the United States Savings and Loan League, predicts.

A special committee of 100 savings association managers will be appointed to carry the drive for GI lending into all areas of the United States. "We intend to make a determined effort to funnel GI funds into those rural and less populated areas where veterans loans have always been difficult to secure," Clements said. League leaders will seek an early meeting with officials of the Veterans Administration and the major veterans organizations to work out a lending program for the areas.

• **Versatile Diesel Locomotive**—When the diesel locomotive came on the scene on a large scale some two decades ago, its capabilities were limited. Heavy freight hauls, or even commuter passenger runs calling for frequent starts and stops, were considered beyond the economical range of the diesel.

By contrast, the new 2,400 horse power diesel electric locomotive introduced by Fairbanks, Morse & Co., and described as the most powerful single-engine diesel locomotive, is so versatile that it can handle a variety of railroad jobs from 80 mile per hour passenger runs to high tonnage freight hauls.

Among the features of the electrical propulsion equipment built by Westinghouse Electric Corporation for the new locomotive are the use of silicone insulation to allow extremely high operational temperatures; the use of silver alloy brazed commutator risers instead of soldered ones, also to withstand high temperatures; and sealed armature bearings in the traction motors, eliminating the need for periodic lubrication and reducing the possibility of failure.



Industrial Developments

... in the Chicago Area

INVESTMENTS in industrial plants in the Chicago area totaled \$10,567,000 in May compared with \$10,184,000 in May, 1952. Total investments for the first five months of 1953 stood at \$63,169,000 compared with \$66,995,000 in the same period in 1952. These figures include expenditures for the construction of new industrial plants, expansions of existing buildings, and the acquisition of land or buildings for industrial purposes.

Blockson Chemical Company, Collet, is expanding its facilities for the production of heavy industrial chemicals.

Catalin Corporation of America will construct a unit at its plant in Calumet City to produce polystyrene molding powder.

Southeastern Chemical Company, Thornwood, N. Y., will construct a plant in Lemont, Ill. to be used for the production of nitric acid and fertilizer. Blaw Knox Chemical Plants Division, general contractor.

Felt Products Manufacturing Company, 1508 W. Carroll avenue, will start construction of the second unit of its plant on McCormick road in Skokie. The new unit will contain approximately 70,000 square feet of floor area. Northern Builders, Inc., general contractor.

Replogle Globes, Inc., 352 N. Hoyne avenue, manufacturer of plastic, metal and fiber globes of the world, is erecting a plant containing 75,000 square feet of floor area at Narragansett and Cortland avenue. A. Epstein and Son, Inc., engineer.

Perkins Products Company, 7400 S. Rockwell street, manufacturer of desserts and beverage flavors, is con-

structing an addition to its plant which will contain approximately 58,000 square feet of floor area. Campbell, Lowrie and Lautermilch Corporation, general contractor.

Behr-Manning Corporation, Watervliet, N. Y., is erecting a 57,000 square foot warehouse at California avenue and George street. The company manufactures abrasive materials. Algot B. Larson, general contractor.

Dearborn Glass Company, 2414 W. 21st street, has acquired a 22-acre tract of land in Bedford Park at the corner of 64th place and 14th avenue.

Prehler Electrical Insulation Company, 564 W. Monroe street, is erecting a warehouse and office building at 2300 N. Kilbourn avenue which will contain 28,000 square feet of floor area. Graham, Anderson, Probst and White, architects.

Fullerton Steel and Wire Company, 6605 W. Grand avenue, is constructing an addition to its plant which will contain approximately 36,000 square feet of floor area. The company engages in steel warehousing and fabrication. Abell Howe Company, general contractor.

American Steel Foundries is making an addition to its laboratory at its plant in East Chicago.

J. B. Madsen Store Fixture Company, 1835 W. Lake street, is erecting a factory in Broadview which will house the entire operations of the company when completed. The structure will contain approximately 22,000 square feet of floor area.

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ing an 11,000 square foot addition to its plant. The company makes radios and other electronic apparatus chiefly for private label distribution.

- **Columbian Rope Company**, Auburn, New York, is constructing a plant at 2520 N. Pulaski road which will contain 17,000 square feet of floor area. The company manufactures industrial rope and beltings. Albert Eiseman, Jr., architect; Edwin E. Hartrich and Son, general contractor.

- **Kipp Manufacturing Company**, 1744 N. Damen avenue, is constructing a factory in Evanston which will contain 10,000 square feet of floor area. The company is a job shop for tools, dies and stampings. Lincoln Construction Company, general contractor.

- **Spotnails, Inc.**, Evanston, has moved into its new factory building. The new structure contains 15,000 square feet of floor area.

- **Chicago Trailer Equipment Company**, 308 W. Washington street, has started construction of an 11,000 square foot building at 4430 S. Tripp avenue. A. Epstein and Son, Inc., engineer.

- **Service Bindery Company, Inc.**, has acquired the building at 505 East Pershing road. The building contains 12,500 square feet of floor area. Browne and Storch, Inc., broker.

- **U. S. Plating Manufacturing Company**, 603 S. Central Park avenue, is erecting a building at 2140 N. Wayne avenue which will be operated as a branch plant.

Here, There and Everywhere

(Continued from page 8)

one listed common stocks paid no cash dividends in the first quarter of 1953 although they had made payments in the initial 1952 quarter. The May issue of *The Exchange* names eleven companies whose common stocks have been listed for ten years or more but which have not paid a cash dividend since listing.

- **Credits and Collections**—A guide to effective credit and collection operations for small business men and retailers — "Credit and Collection Know-How"—has been published by Fairchild Publications, Inc., 7 East 12th St., New York 3, N. Y. An interesting feature is a huge "Master Chart of Creditors' Rights" covering the forty-eight states and the District of Columbia. The authors are Robert J. Schwartz and Allyn M. Schiffer, and the price is \$5.

- **Glassed-in Sidewalks** — A comfort feature believed to be unique is planned for the Scottsdale Shopping Center to be built at the busy intersection of 79th St. and Cicero Ave. on Chicago's southwest side. The feature is the enclosing of sidewalks during inclement weather. L. J. Sheridan & Co., fencing agent for the \$3,000,000 project, said that plans call for either glass or trans-

parent plastic material to be used in the siding. Frequent transparent sections will be placed in the roof of the sidewalk canopy too, to let in light and provide a view of the sky.

- **Better Advertisements**—The latest issue of the 8½ by 11 inch pamphlet in which the Investment Bankers Association of America reproduces advertisements of member firms shows that a number of new converts have been added to the list of investment bankers who have abandoned the "tombstone" type of advertisement in favor of modern, eye-catching copy designed to do a selling job. Humorous cartoons are now being used quite extensively in the serious business of guiding people to sound investments, the I.B.A. pamphlet discloses.

- **Now It's Trillions** — The inevitable has happened—economists are now talking in trillions, although a billion is a figure that is still beyond the comprehension of most people. Specifically, the National Industrial Conference Board estimates that consumer wealth in the United States has risen to more than three quarters of a trillion dollars. These asset holdings, made up of cash, insurance, homes, business interests, etc.,

total more than \$800,000,000,000 (eight hundred billion), with offsetting debts of about \$100,000,000,000. Half of the families in the United States now have a net worth of \$5,500 or more, and the four-fifths of all families that earn less than \$10,000 a year own nearly half of the nation's wealth, the Conference board reports.

Hotel Modernization — In keeping with Chicago's leadership as a convention center, the Hotel Sheraton's two million dollar modernization and remodeling program has included a major improvement in the hotel's convention facilities. By flooring over the old "lobby well," an additional 4,000 square feet of mezzanine space was provided. The Grand Ballroom and all other areas on the mezzanine floor are now air conditioned.

Self-Service Coming — Get ready for self-service selling, Datus W. Berlin, assistant general manager of Gimbel Brothers, advised at the annual Packaging Conference of the American Management Association in Chicago. High operating costs and changing shopping habits of customers conditioned by supermarket buying will force the extension of self-service retailing to many non-food items, according to Berlin.

Consultants Are Vital — Industrial research is so diverse and complex today that no single laboratory can hope to create and maintain a staff capable of handling a complete range of research problems. So states Progress Through Research, a publication of General Mills. The answer to the problem is the consultant, and General Mills retains some distinguished researchers as full time consultants, while others, usually specialists in a particular phase of engineering or science, are called on for help with specific problems in their field.

Mortgage Demand Grows — The 1950 tightness in the mortgage money market may be repeated this year, A. R. Gardner, president of the Federal Home Loan Bank of Chicago, believes. The number of mortgage recordings in Cook County, Illinois, and Milwaukee County, Wisconsin, is running ahead of the comparable 1950 figures, with particularly sharp upturns in March

and April. April volume in the two counties was up 68.5 per cent to \$85,806,780, while March showed a 41.3 per cent increase over the same month of 1950. The increasing demand for mortgage loans together with the increase in interest rates on Veterans Administration guaranteed mortgages and FHA mortgages, may result in some scurrying around for mortgage money when the building season reaches its peak, Gardner predicts.

• **Why Do Tubes Fail?** — When a tube goes bad, it's annoying to the

owner of a radio or a television set, but the consequences may be serious when a military radar set or another piece of military electronic equipment is involved. Two years ago a study of burned out and otherwise defective tubes from military installations the world over was started at Cornell University. From this research comes recommendations for changes in circuits using the tubes, in operating procedures, and in the design and manufacture of the tubes themselves. More reliable tubes are expected to be the ultimate result.



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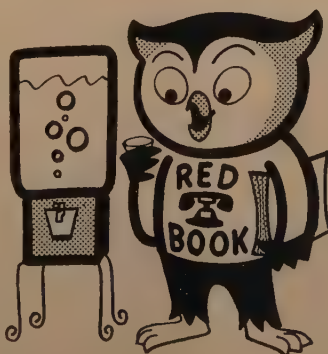
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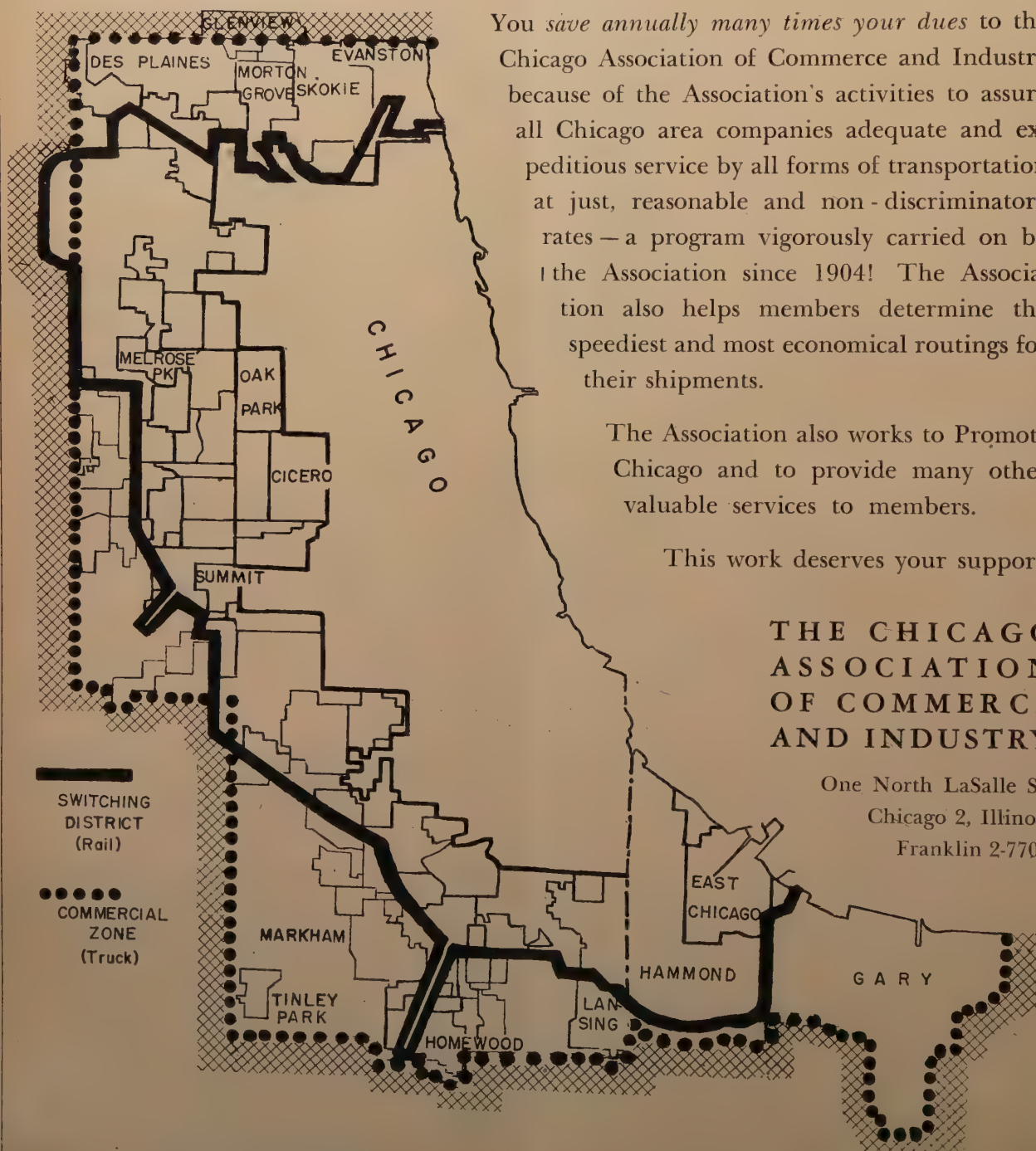
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Transportation and Traffic



THE Interstate Commerce Commission has announced that hearing will be held June 15, 1953, in its offices in Washington, D. C., on the petition of railroads asking that the increases in freight rates authorized April 11, 1952, in Ex Parte No. 175 be made a permanent part of the rate structure. Oral argument will be held at the conclusion of the hearing. The carriers' petition requested that on February 28, 1954, expiration date of the increases be eliminated and that they be given authority to make the advances a part of the basic rates rather than a surcharge on total freight charges. The commission's notice states that testimony in chief in the form of affidavits or verified statements must be filed on or before May 15, 1953, and rebuttal testimony on or before June 2, 1953. The notice continues "testimony to be received must be confined solely to changes in conditions, if any, since the prior submittal date, February 9, 1952, and oral argument will be addressed to the questions raised by the petition, namely, whether the prayer of the petition should be granted or denied, in whole or in part, or the present expiration date extended for a limited period, and not to collateral issues—."

Chicago Suburban Bulwinkle Agreement Approved: The Interstate Commerce Commission has approved the Section 5a (Reed-Bulwinkle) application of the Chicago Suburban Motor Carriers Association, Inc., subject to certain modifications. Entry of an order will be withheld pending notice that the association will agree to amend its application to provide for notice of docked proposals, hearings and dispositions to all persons who are on the mailing list to receive tariffs as well as other interested parties, and the deletion of the provision in the agreement which authorizes the as-

sociation to request suspension of rates and charges. The association's membership consists of about 78 motor common carriers operating within a radius of approximately 100 miles of Chicago, Ill. Section 5a of the Interstate Commerce Act, often referred to as the Reed-Bulwinkle Act, exempts carrier rate-making practices and procedures from the operation of the anti-trust laws when applications outlining such practices and procedures have been approved by the Interstate Commerce Commission.

• I.C.C. Rejects Proposed Charges

For Pick-Up and Delivery: The Interstate Commerce Commission in its report in No. 6013, Pick-Up and Delivery Charges in Official Territory, finds the proposal of the eastern railroads to assess charges ranging from 10 cents to 35 cents per 100 pounds for performing pick-up and delivery service not just and reasonable. The ruling authorizes the carriers to establish a charge for pick-up and delivery of not to exceed 10 cents per 100 pounds for each service and to cancel the present allowance of five cents per 100 pounds to shippers and receivers performing their own service. The commission's order states: "We are mindful of the commission's admonitions to the rail carriers so as to adjust their charges and services, where practicable, as to reduce or eliminate their substantial deficits from less-than-carload traffic, and the proposed schedules are an effort in that direction. This record is convincing to us, however, that any separate charges for pick-up or delivery as great as those proposed would have the opposite effect of that apparently intended by the respondents. They would, we believe, divert so much of this traffic to other forms of transportation as to result in increased instead of reduced deficits therefrom, and thus defeat

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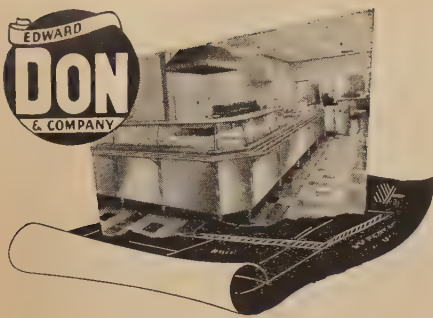
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their purpose." The order requires cancellation of the suspended tariff schedules by June 5, 1953, on one day's notice.

• **I.C.C. Extends Application of Penalty Demurrage Charges:** The Interstate Commerce Commission, by Amendment No. 35 to Service Order No. 865, has extended the application of the penalty demurrage charges imposed under the order to all cars described in the Official Railway Equipment Register as Class "F"—Flat Car Type, Class "LO"—Covered Hopper Type and Class "LG"—Bulk Lading Container Type. On all other cars the penalty charges remain under suspension until June 30, 1953. Amendment No. 35 became effective at 7:00 a.m., May 16. Service Order No. 865 was issued as a car conservation measure and became effective September 20, 1950. It increased the demurrage charges for detention of all railroad cars to \$5.00 per car per day for the first and second days, \$10.00 per car per day for the third and fourth days, and \$20.00 per car per day for each succeeding day.

• **Recommends Unrestricted Rights for Rock Island Motor:** Interstate Commerce Commission Examiner T. K. Carpenter in his 52-page report in MC-29130, Sub-70, Rock Island Motor Transit Co. Common Carrier Application, recommends that the railroad-owned motor carrier subsidiary be granted unrestricted authority to transport general commodities as a common carrier over its route from Silvis, Ill., over U. S. Highway 6 to Omaha, Nebraska, and return. Rock Island Motor Transit has been operating under temporary authority authorizing it to transport general commodities under a maximum weight limit of 5,000 pounds on each shipment, and certain key point restrictions. The report points out that the evidence establishes that public necessity and convenience require the proposed less-than-truckload peddle service. "There is some evidence," the report adds, "of a public need for the proposed truckload services of applicant, but it is not as convincing as that with respect to peddle operations, and this is understandable because the other motor carriers operating in the area have usually provided satisfactory service on truckload shipments. There is evidence that they

have refused to accept truckloads of low-rated commodities. However, it is sufficient to warrant a grant of authority in this respect. This 'the cream of the traffic' which to some extent has been handled by Motor Transit for many years without seriously affecting the expansion of its competitors' operations, should not be handed over to such competitors and Motor Transit expected to provide the expensive peddle service." The Examiner's report concludes that his findings are not to be construed as an abrogation of the policy established by the commission regarding rail-owned truck lines. The findings, he said, "represent an exception to that policy justified by the evidence in this proceeding. In other words, such findings do not establish a precedent. Each case of this character must be determined upon the facts and circumstances disclosed by the evidence."

• **Bill Introduced to Regulate Motor Carriers in Illinois:** A bill to regulate the business of the transportation of property for-hire by motor vehicle in Illinois has been introduced in the 68th Illinois General Assembly by Senators Little, Walsh, Meyer and Miller. The bill, S.B. No. 444, would invest in the Illinois Commerce Commission the power and authority to administer and enforce the act. Common carriers would be required to obtain certificates of public convenience and necessity and file with the commission tariffs showing all their rates and charges for transportation of property within Illinois. Contract carriers would be required to secure a permit and file with the commission schedules containing their minimum charges for the transportation of property in intrastate commerce. Hearings on the bill were held Thursday, May 21, before the Senate Highway Committee.

• **Senate Passes Bill to Curb Racketeering in Transportation:** The Senate has passed without dissent, S. 275, a bill designed to keep the transportation industry free of terrorism, extortion, racketeering, and similar unlawful tactics. The measure, introduced by Senator Hunt of Wyoming, a former member of the Senate Crime Committee, would add the following language to the National Transportation Policy in the Interstate Commerce Act: "It

hereby further declared to be the policy of the Congress that all modes of transportation subject to this act shall be kept free of terrorism, extortion, racketeering and similar unlawful business tactics, and to this end due regard shall be given in all cases to any evidence of the use of such tactics, or the unreasonable likelihood of the use of such tactics, by any applicant for, or transferee or holder of any certificate, permit, or license issued or outstanding under this act . . . " The bill now awaits action in the House.

Transportation of Property

Tax Yielded \$401,605,342 in 1952: The three per cent tax on the transportation of property yielded \$401,605,342 during 1952, according to the Bureau of Internal Revenue. This compares with \$387,362,197 collected during 1951. Collection of the 15 per cent tax on the transportation of persons amounted to \$285,61,286 during 1952 as against \$260,70,209 during the previous year. The tax on the transportation of oil by pipeline of 4½ per cent produced \$28,137,905 as compared with \$25,12,461 during 1951.

Limestone

(Continued from page 20)

Division of the United States Steel Company. The development was started in 1911 in an isolated spot at the tip of Michigan's lower peninsula on the shore of Lake Huron at a point now called Calcite. This area now provides two-thirds of all the limestone quarried in the Great Lakes region. From the Michigan Limestone 20-mile square quarry is annually drawn as much as 16 million tons in an 8½ month working season. Only about six miles of the company's quarry has yet been worked, and its engineers estimate that the deposits, which run as deep as 125 feet, will continue to supply stone for a minimum of 100 years. Because of its remote location, the company has practically a self-contained operation. It operates its own power plant, machine shop to repair and rebuild everything it uses—trucks, diesel locomotives, shovels—and even all repairs on its seven ships except repairs requiring dry-dock facilities. Aside from engineers, the company hires only unskilled

local people and trains them to be skilled machinists, shovel operators or whatever may be required.

Produces 45 Sizes

The company's mill can process eight sizes of stone at one time and in the course of a season it produces 45 sizes and grades. The stone has literally hundreds of uses, broken down into the broad classifications of construction, agriculture, medicine, purification, sanitation and chemical. For example, it is used in mortar, plaster, cement, plant foods, insecti-

cides, milk of magnesia, production of mineral oils, gas purification, paper bleaching, sanitation of sewerage and as a catalyst in chemical processes and in welding and rust preventatives.

The engineers who operate Michigan Limestone's plant pride themselves on 100 per cent utilization of the stone they take out of the quarry. As they say, they go the stockyards one better because they even use the squeal, which is the final powder remaining after the stone has been processed. It is collected and sold for cement making.

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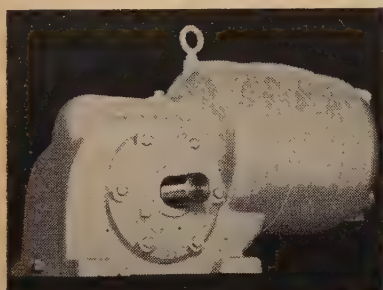
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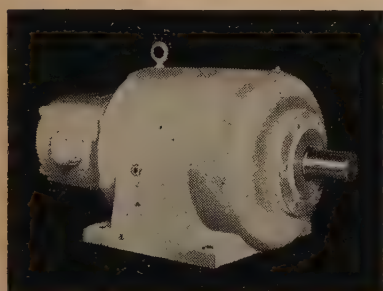


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New Products

Tread Helps Conveyor Belt

A new industrial conveyor belt announced by B. F. Goodrich, Akron, O., can carry heavy packages and cartons up or down grades almost twice as steep as with conventional belts. The difference in the new belt is the use of a cover similar to the tread on the company's premium tubeless tire. The cover has more than 5,700 tiny rubber "fingers" to the square foot, giving extra traction. The belt saves as much as 42 per cent in floor space occupied by a conveyor, because of the sharper angle of operation.

Analog Computer

A new "Recording Counting Rate Computer," announced by the Research and Control Instruments Division, North American Philips Company, Inc., Mount Vernon, N. Y., is designed "to record random counting rates on a linear chart with a constant computed statistical accuracy."

Non-Drip Can

A non-drip can for packaging both heavy-pouring and thin-pouring liquids was introduced at the recent National Packaging Exposition in Chicago by American Can Company. The flow of liquid is shut off after pouring by a turned-in lip forming the mouth of the nozzle.

Deodorizing Dryer

An ozonating system has been combined with a new automatic hand dryer introduced by the American Dryer Distributing Corp., 1324 Locust St., Philadelphia 7, Pa.

Automatic Capping

The first machine for the completely automatic application and sealing of Upressit closures was demonstrated at the National Packaging Exposition in Chicago. The closure, produced by Upressit Products Corp., 420 Lexington Ave., N. Y., is a unique bottle or can cap that releases its grip when finger

pressure is applied at its center, and can be reused repeatedly.

Aluminum Preserver

Silvercote Products, Inc., 161 E. Erie St., Chicago 11, has introduced a clear coating for the protection of aluminum, stainless steel, and chrome. The coating has successfully undergone a 1,204-hour salt spray test, a 3,000-hour weatherometer test, and a 100-hour humidity test. The coating prevents oxidation of the metal surface, and the manufacturer states that the coating itself will not discolor.

High Tension Connections

Bell Telephone Laboratories and Western Electric Company, units of the Bell Telephone System, have developed a method of producing tight connections between a wire and its terminal lug without the use of soldering. The wire is wrapped around the terminal by means of a hand-held gun powered either by air or by an electric motor.

Circuit Breaker Tester

An instrument developed by Multi-Amp Corp., Harrison, N. J., makes it possible to test circuit breakers and overload relays quickly and at low cost.

Photocopies Fast

A photocopy of any office record can be made in less than a minute with the Transcopy Duplex, announced by Remington Rand, Inc., 315 Fourth Ave., New York 10. No special installation is required for the machine, which plugs into any electrical outlet.

Pipe Notcher

The time required for notching pipe and tube ends is reduced to less than three seconds with the new Vogel Twin-Notch Arc-Fit tool designed for use with a punch press. The tool notches both sides of the pipe end with a single stroke of the

press. The manufacturer is the Vogel Tool and Die Corporation, 1807 N. 2nd Ave., Melrose Park, Ill.

Compressed Air Regulator

The new type HAA regulator introduced by the DeVilbiss Company, 1000 Phillips Ave., Toledo 1, O., handles a large volume of compressed air with a minimum of pressure drop. The device has a capacity of 80 CFM at 100 pounds line pressure, and it is three inches wide and four and one-half inches high.

New Duplicopy Machine

The new Duplicopy machine manufactured by the Duplicopy Company, 224 W. Illinois St., Chicago, will reproduce anything handwritten, typed, or drawn, at speeds up to 150 copies per minute and in as many as five colors at one time. Master copies can be saved for reuse in the liquid process machine which features a patented wiper blade that assures even distribution of the fluid over the roller.

14-Inch Chain Saw

A low-priced electric chain saw announced by Skil Corporation, 5033 Elston Ave., Chicago 30, Ill., and designated Model 125, is designed for heavy lumber and timber cutting up to 14 inches on one cut. The saw weighs 16½ pounds, and has a push-button oiler that lubricates the chain while it is in operation. It runs on 115 volts, but is available on special order for 220 volts.

Portable Fluorescent Lamps

Two new portable fluorescent inspection lamps, available with or without magnifying lenses, have been announced by Stocker and Yale, Marblehead, Mass. The "Lite-Mite" units can be equipped quickly for ultra violet radiation.

Carton Stitcher

Acme Steel Company, 2840 S. Archer Ave., Chicago, has introduced a new carton stitching method called Arcuate because it puts an arc into regular flat stitching wire prior to the stitch-forming operation. The resulting stitches are stronger, lighter and practically buckle free, and, because each pound of wire produces

more stitches, wire costs are lowered considerably, Acme Steel reports.

Heavy Duty Trailer

The new cargo handling trailer announced by Mercury Manufacturing Company, 4044 S. Halsted St., Chicago, Ill., has a capacity of 60,000 pounds. The all-steel trailer, model A-443, is designed for use in cargo warehouses and shipping docks. It is 17 feet long, seven feet wide, has roller bearing wheels with solid

pressed-on rubber tires, and can be coupled with similar units to form a trackless train system.

Industrial Cleaner

An alkali cleaning compound developed by Van Straaten Chemical Company, 546 W. Washington, Chicago, has been safely used on all aluminum and zinc alloys without etching or discoloration, and will not tarnish or discolor other non-ferrous metals such as brass, copper, and

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JAN-P-105A	Cleated Plywood - Export
LLL-B-631c	Fibre Corrugated - Domestic
NN-B-591a	Fiberboard, Wood, Cleated
MIL-B-2427	Wood Ammunition Boxes
JAN-P-132	Wood Crates - Unsheathed
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bronze, the manufacturer states. In addition, the cleaner prevents rusting of manufactured ferrous parts after they have been washed. The product, known as Vantrol 5541, is an in-process spray washer type cleaner.

24-Ounce Telescope

The new Balscope Jr., telescope manufactured by Bausch and Lomb Optical Company, Rochester, N. Y., is one foot long and weighs 24 ounces. Despite its small size, the telescope provides 20X magnification, which is sufficient to bring into view four moons of Jupiter and the principal craters of the moon itself.

Ultrasonic Cutter

A machine tool driven by ultrasonic sound waves is capable of cutting through hard steel, stone, cast

iron, or even sapphire, with a cutting tool of relatively soft material. The machine, developed by Raytheon Manufacturing Company, Waltham, Mass., uses magnetostrictive principles. For example, when a coil is wrapped around a nickel rod and alternating current is passed through it, the rod contracts and expands minutely with each cycle of current. The Raytheon machine tool employs this principle to generate ultrasonic motion of the tool, which, in turn, drives abrasive liquid particles that do the actual cutting.

New Adhesive

An adhesive with unusual qualities of resistance is announced by the Borden Company, 350 Madison Ave., New York 17, N. Y. The epoxide resin adhesive resists boiling water, alkalis, acids, and most organic solvents, and it has been used success-

fully to bond metal, glass, rubber, ceramics, and various laminates.

Breathing Plastic

A new plastic that holds water and yet permits a good flow of air through it has been announced by Goodyear Tire and Rubber Company. The plastic is intended for use in rainwear, baby pants, and other articles of clothing.

Ornamental Iron Finish

Tennessee Fabricating Company, 1490 Grimes St., Memphis, Tenn., has developed a synthetic plastic base finish for the decoration of ornamental iron and other ferrous or non ferrous metals. The new finish can be used in many instances where ordinary paints can not, and it may be applied on either old or new surfaces, the manufacturer states.

Air Conditioner

Air-cooled home air conditioning units, especially useful in areas where water cooled types are impractical because of the scarcity or high cost of water or the unavailability of drainage, are being manufactured at the Dayton, O., plant of the Air-temp Division of Chrysler Corporation.

Tank Car Platform

The hazard involved in standing or working on the curved top of a railroad tank car is eliminated by the Safety Tank Car Platform developed by Nichols Engineering Company, 3816 W. Grand Ave., Chicago. The platform is supported on a steel column bolted to a concrete base along the side of railroad tracks. The operator can turn the platform 360 degrees by means of a hand crank wheel.

Interest Calculator

Forster Manufacturing Company of Wichita, Kan., calls its new Rol-A-Factor a revolutionary type of calculating machine. The machine introduces a new mechanical era in the field of interest calculations, the company says. The Rol-A-Factor quickly provides the answer in addition to a wide range of interest factors, without the need of interest tables, factor charts, or scratch pad computations.

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The Facts About Executive Turnover

(Continued from page 17)

large companies or from durable or non-durable goods industries. However, the functional area in which an executive had been working seemed to have a bearing on his reasons for leaving. In all cases, the desire for more responsibility came first, but thereafter the patterns diverged.

Sales, industrial relations and engineering executives attached more importance to long-term growth than did financial and manufacturing executives. Manufacturing executives felt more strongly that their incomes were inadequate. Financial men left because of disagreement with management policies more often than other executives did. Engineering and research personnel were the least concerned about income, but more often wanted an immediate change in activity.

The management level on which an executive had been operating also seemed to have a bearing on his leaving. Presidents most often cited policy disagreements as their reason for severing connections. Desire for more income came next, followed by the desire to find a location offering opportunity for future growth. Vice presidents of functional and product divisions also cited policy disagreements first.

Wanted Bigger Job

In the middle management group (department heads and assistants) which represented better than three-quarters of the sample, the most frequent reason was a desire for an immediate move to a bigger job with broader responsibility. Other reasons in order were: a desire for opportunity for future growth, a desire for increased income, a conflict with company policies and a need for a change in activity.

The basic conclusion of this extensive study thus boils down to this: Although executive turnover is a growing problem, there is a large area of executive turnover which can be corrected if directors and presidents grasp the opportunity to do so. Doing something, however, is a top-drawer job, for the issue is squarely up to the men who set the pace for business.

There are no "canned" answers.

Each company's solution has to be cut and fitted to its own conditions and needs. But the management which wants to stabilize executive turnover within healthy limits may well consider the following four prerequisites to success.

The reasons executives give for leaving make one thing apparent. Boards of directors and presidents should have a clear idea of where

their companies are heading. That knowledge can strike to the heart of the uncertainties about the future which so frequently impel executives to move. To a large extent, the same can be said about misunderstandings over plans and policies.

The unexpected can always happen, of course, but the farther ahead management tries to look the less likely it is to be caught short when



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it needs an executive or a place to use a good one. And the less difficulty it will have in convincing executives that there's a worthwhile future for them in the business.

The basic objectives of a business can be carried out most effectively with a sound plan of organization. If shaped to meet current and foreseeable needs of a business, a company's organization plan helps to attract and hold competent executives.

A sound plan minimizes friction, gives each executive a clear grasp of his responsibilities and authority, and provides against others infringing upon them. It gives an executive the satisfaction of assuming duties which are logically related and reasonable for him to span, yet sufficiently challenging to him. It promises him recognition for accomplishments for which he is personally accountable. It points up established paths of advancement and holds the promise of other paths as the business grows.

Best Organization Plan

The best organization results from management's having successfully blended sound principles with individual personalities and abilities. Once this kind of blending has been accomplished, an executive is less likely to find a job elsewhere as attractive as the one he already holds

DISTRIBUTION OF 422 EXECUTIVES' REASONS FOR LEAVING

(Includes two or more reasons when stated)

	Executives Citing Each Reason Number	Per Cent
Bigger job, more responsibility.....	126	29.9
Greater opportunity for future growth.....	91	21.6
Increased income	75	17.8
Not in accord with management policies.....	68	16.1
Separation at company initiative.....	62	14.7
Need change of activity.....	46	10.9
All other reasons combined.....	215	50.9

or later expects to hold in his own company.

In their constant struggle to find, build and keep good executives, businessmen have some greatly improved techniques to turn to these days. Noteworthy are recent improvements in methods of developing executives.

A development program generally begins with an inventory of executive adequacy and potential, measured against a company's needs, its current business and its plans for the future. It progresses through the selection of specific candidates and prospects for job openings, current and future, to planning the step-by-step development of individual executives. In its initial stages it frequently includes over-all training aimed at the general improvement of all executives.

It is significant that where executive development is most effective, it has ceased to be a "program."

Progressive managements have discovered that, once past its initial stages, executive development is a dynamic force acting on a manpower situation which changes almost daily and vitally affects every area of a company. They have come to regard it and treat it as they do sales or production—something each line executive from the top down plans for and follows up continuously.

Change Not All Bad

Constructive change is good for a company's health. Executive turnover of itself is not necessarily bad, except where excessive in amount or when a company loses a major investment. Whether drawn from within or from outside, new blood often brings fresh viewpoints, new ideas, and new zeal for accomplishment. Executive development ties in with recruitment and selection work to achieve these benefits.

While executive development can build executives' morale, it contributes most to controlling turnover by deliberately planning for it. The aims are to establish specifically what improvements in the management team are desirable, and to see that they take place as planned. Of necessity, the process involves planning for separations as well as for accessions of executive personnel.

Some aspects of separation are relatively easy to work with. Retirements, for example, can be anticipated and handled so as to make the transition as beneficial as possible to the company and the executive. But the big challenge to control turnover stems from separations for causes other than death or retirement. It really hurts when an employee leaves after he has been selected and developed—usually at considerable expense—to carry executive responsibility. This is true whether the executive leaves of his

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own accord or at the company's request. Either way, a costly error in planning or handling may have been made somewhere along the line. Executive development can work to assure that such errors occur as seldom as possible.

It is sometimes possible to turn a bad situation around with this kind of planning and follow up. It has happened that a man rated inadequate for one position has been found thoroughly adequate for another, after his talents have been systematically matched against all of the company's requirements. The result is one less problem in turnover and a happier team.

Desire for greater income runs third among the major reasons executives give for leaving jobs. Many companies have found that a modern plan of executive compensation has paid dividends in better morale and greater job satisfaction. A key feature of such a plan is that it concentrates on the adequacy of "take-home pay" rather than on base salaries. Frequently, a company's salary levels meet or better the market, yet its executives are forced to look elsewhere to find an arrangement which meets them enough to compensate for their services, to maintain their living standards and to build for their futures.

Compensation Plan

A modern compensation plan provides executives and their families with adequate income after retirement or death while permitting them the greatest possible use of current earnings. As difficulties have mounted in the way of an individual's making adequate provision for himself and his family in his old age, this feature of compensation has merited more and more attention.

Modern compensation plans quite properly take cognizance of an executive's social needs and goals. With each step upward an executive takes, his life and his family's lives become more closely identified with his business activities and interests. Eventually, he may reach the point where virtually all of his social and community contacts have a value to his company, which then has a legitimate, vested interest in where and how he and his family live.

Managements of many companies have found an answer to these interlocking problems by adopting a plan

of manifold compensation, whereby several types of compensation are combined in a fashion tailor-made to fit executives' personal, social and retirement goals, yet kept within the limits of total outlay which are sound for the company. Manifold compensation has usually proved to be a powerful motive for executives to stay put.

Top management people agree that a company's welfare depends primarily on its ability to get and to keep good executives. The growing problem of executive turnover is something that everyone affected by it fully intends to do something about — soon. Whatever delay exists in attacking the problem seems to stem not from lack of intent to improve the situation, but from the difficulty of getting a remedial program started. Management is just too busy with other matters.

One difficulty in getting started arises from the fact that executives have to be dealt with as individuals as well as members of a group. Dealing with people as individuals means dealing with details — something most chief executives can afford to do only in strictly limited stints. Yet the problem of executive personnel management — exemplified by growing turnover — has come to a point in many companies where it needs to be dealt with now. It's going to be necessary to get the details under control and to set up the administrative procedures to keep them under control.

What top management needs and wants is an effective way of getting out ahead of all aspects of executive personnel management and staying there. There's good assurance that the goal is attainable through putting into practice up-to-date methods of obtaining a road map for the business, a sound, flexible plan of organization, a plan for selecting, training and developing executives, and a modern plan of compensation tailored to fit executives' personal goals.

Each company, as it goes about equipping itself with these tools, will find it necessary to pick and choose among many techniques. In the end, each chief executive will need to use all resources available, inside and outside of his company, in finding ways to work out his own solution to fit his company's specific conditions and needs.



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Ike's Policy

(Continued from page 15)

not propose taking the federal government completely out of the business of power generating and out of reclamation. Each project will be considered on its merits. Of the Idaho Power application he said:

"The department would be playing the reprehensible part of a dog in the manger if it insisted on opposing a badly needed development that private capital is ready and willing to undertake, if the plan proposed is reasonably comparable as to results, while the department itself has no assurance it can carry out its plan without extended delay." By the latter he meant that Eisenhower budget cutting inevitably would put off the federal project anyway.

Change Gradual

A totting up of other isolated actions by the new administration on the economic front shows how gradually the President is making his policies felt:

Item: The government has taken steps to get out of the synthetic rubber business. With 29 wartime plants, built at a cost of some \$525 million, still in government hands, the President has asked Congress for legislation authorizing disposal to private industry at negotiated prices (rather than by competitive bidding). The American synthetic industry, built to meet the crisis created by Japanese capture of natural rubber sources in Southeast Asia, has a capacity of better than 800,000 long tons a year, roughly two-thirds of the amount used in this country last year.

Item: By steps, all wage and price controls have been taken off, without any important economic dislocations. Standby control legislation is in process of consideration by Congress.

Item: The administration has asked Congress for a year's extension of the reciprocal trade act, and otherwise made known its intention to promote liberal world trade policies.

Item: The scandal-ridden Reconstruction Finance Corporation is being permitted to die a natural death at the expiration of its present legislative authority, a year hence—unless Congress kills it off before then. At

the same time a bill to establish a Small Business administration with \$150,000,000 revolving fund, incorporating many features of the Small Defense Plants Administration, has started the hearing process in Congress.

In some other areas, such as agriculture, the new conservative philosophy has been held within legislative strait jacket from expressing itself in tangible action.

Is Ike going to have clear sailing as he goes on to establish the policies that affect business?

Clearly not. His own party in Congress has challenged features of his basic budget-balancing, inflation-checking approach that indicate a rough time legislatively before the issue is settled.

Many key members of Congress, including Chairman John Taber of the House Appropriations committee, are convinced they can do more of a budget-cutting job than the President. To the extent that they succeed in holding down the appropriation bills below the amounts he has requested, they will help his budget-balancing goal.

Balance at Stake

What they risk, however, is upsetting the balance which his spending decisions involve in non-financial policies. For example, although the new administration cut \$1.8 billion off Truman's request for foreign aid funds next year, Chairman Eugene Millikin of the Senate Finance committee has announced he expects Congress to be "merciless" in slashing the total still further.

Despite its own cut, the Eisenhower administration actually doubled the funds requested for aid in the Far East, budgeting one billion compared to half a billion dollars for the current year. This was a measure of the shift in emphasis from Europe, where a reasonable military buildup has now taken place, to the theatre where actual fighting goes on in several places.

Congress members who might hesitate to tamper with military funds already cut by a President with Eisenhower's military experience, may be tempted to operate on foreign aid money, which one of them has described as the "soft underbelly of the budget," paraphrasing Winston Churchill. Yet to do so may have serious repercussions in terms

of Eisenhower policy to meet the Communist threat in places like the Far East.

The budget-cutting efforts of Congress, however, are more likely to be offset by the political appeal of cutting taxes. Tax reductions are not part of the President's plans until a balanced budget is in sight—not necessarily achieved, but at least in sight. While he has avoided, since his budget announcement, saying flatly he was against tax cuts by this Congress, he certainly has done nothing to encourage such action.

Nevertheless it is accepted tacitly on Capitol Hill that the excess profits tax will be allowed to expire on June 30, on the ground that there is not enough sentiment to take the positive action required to pass a bill extending it. And, since politically it is regarded as unwise to reduce taxes on business without lowering the levies on individuals, it is also tacitly understood that some time before the end of the year there will be a wiping out of the post-Korean boost in income taxes, retroactive to June 30.

Together these actions would set back budget-balancing by \$2 billions a year, unless compensated for by additional cuts.

On the financial front, the administration's higher interest rate policy has been successful and this angle of the attack on inflation is not likely to be interfered with.

Humphrey's Treasury Department, which remembers that in the 1920s the interest rate ranged from 3¼ to 4¼ per cent, is marketing 3¼ per cent government bonds and the rate is set by the market and not by Federal Reserve manipulation.

There has been some apprehension, because of the fact that government bond prices have fallen off, that the new administration was being too tight with money and might have to ease off. Treasury officials do not share this view. They believe that it is a case of the law of supply and demand taking effect, with more people wanting money than there is money to be had. They say that for the rest of this year the government will spend more, and collect less taxes, than last year. The inflationary pressure this will generate will be only partly offset by the fact that farm prices have come down. The new interest rate is not regarded as too high in the light of the country's monetary history.

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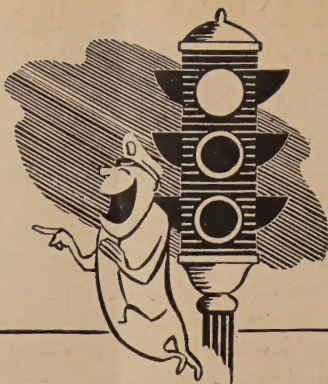
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Fortune Teller: "You will be poor and unhappy until you reach the age of forty."

Sucker: "And then what after that?"

Fortune Teller: "After that you'll get used to it."

A husband and wife were in sharp disagreement over what suit he should purchase. Finally the wife relented and said:

"Well, go ahead and please yourself. After all you're the one who will wear it."

Meekly the man replied: "Well, dear, I did figure I'd probably wear the coat and vest anyway."

MacDonald approached his friend Sandy with a worried look on his face.

"I canna make up my mind," he said, "whether to marry a wealthy widow whom I dinna love or a puir lass whom I love very much."

"Weel, mon," said Sandy, "I advise ye tae listen tae yer hairt and marry the lass ye love."

"Ye're right, Sandy. I will marry the puir lass."

"In that case, kin ye gie me the widow's address?"

The sour-faced, oddly dressed lady was poking among the brooms in the hardware store when a clerk asked if he could help her.

"Nothing here is worth buying," she snapped. "Flimsy, cheap straw, poor handle, shoddy material!" Seizing the broom she shook it under the nose of the bewildered clerk and said angrily: "Not like the brooms they used to make! Give the floor one good sweep and it would fall apart! What's it good for?"

"Well," said the clerk, "you might find that it flies wonderfully."

When supper was served Betty refused a second helping of ice cream with a polite but wistful, "No thank you!"

"Do have some more, dear," the hostess urged.

"Mother told me to say, 'No, thank you,'" Helen explained naively, "but I don't think she could have known how small the first helping was going to be."

Old timer—One who remembers when a baby-sitter was called mother.

In a telephone call to the editor of a local newspaper a man explained that his uncle had been a regular subscriber for half a century:

Caller: "He's always a model of propriety — doesn't smoke or drink, never uses strong language and hasn't ever been to a theatre or the movies. In fact my uncle has absolutely no vices or excesses. And he's going to celebrate his eightieth birthday tomorrow".

Editor: "How?"

"Look here, waiter! I found a hair in the turtle soup."

"Well, well, so the turtle and the hair finally came in together."

The eager relatives gathered for the reading of the will. It contained one sentence: "Being of sound mind, I spent every cent I had."

Hoping to inspire promptness and energy an executive hung a number of signs reading: DO IT NOW, around his factory office. Asked some weeks later how the staff responded, he said sadly: "I don't even like to talk about it. The cashier skipped with \$4,000, the head bookkeeper eloped with the best secretary I ever had, three typists asked for a raise, the factory workers voted to go on strike, and the office boy joined the Navy."

Two thugs had just burglarized the safe of a swank men's shop in the city's fashionable area and had made a good haul. As they tiptoed to the door, one of them almost knocked over a store dummy. After the first shock was over, he noticed that the dummy was wearing a tweed sport coat carrying a price tag marked \$125.

"Boy," he said to friend, "look at the price of that coat. That's downright robbery!"

A sight-seer inspecting the Kremlin noticed two oil paintings. He inquired about the first, a moderate-sized portrait of some worthy, and was told it was a picture of the great Russian inventor Ivanov, "who invented radar, wireless, artillery, railroad lead pencils, the X-ray, the piano and cement roads." Then he asked about the second portrait, which was ten times as large. "That," he was told, "is a picture of Petrov, our greatest inventor."

"And what did he invent?"

"He invented Ivanov."

Mary: "Darling, let's get married."

John: "Why the hurry?"

Mary: "Well, it would put an end to our being crazy about each other."



"The car stopped on me, dear. Where? Well, you know that big tree that stood at the corner of Eighth and Main..."